



**Report on Audit of Financial Statements
and Supplementary Information
for the year ended June 30, 2020**

Alford Nance Jones & Oakley, LLP
Certified Public Accountants

HOPKINS COUNTY SCHOOL DISTRICT
Table of Contents
for the year ended June 30, 2020

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds.....	16
Statement of Fiduciary Net Position – Fiduciary Funds	17
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	18
Notes to the Basic Financial Statements	19-53
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	54
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund.....	55
Summary of Significant Accounting Policies for Budgetary Process	56

Continued

HOPKINS COUNTY SCHOOL DISTRICT
Table of Contents, continued
for the year ended June 30, 2020

Pension and Other Postemployment Benefits Schedules:

Teachers' Retirement System of the State of Kentucky	57-62
County Employees Retirement System	63-67

Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	69
Combining Schedule of Receipts, Disbursements and Fund Balances – All Activity Funds	70
Schedule of Receipts, Disbursements and Fund Balances – Hopkins County Central High School Activity Funds	71
Schedule of Receipts, Disbursements and Fund Balances – Madisonville North Hopkins High School Activity Funds	72
Schedule of Expenditures of Federal Awards	73-74
Board Members and Administrative Personnel	75
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76-77
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	78-79
Schedule of Findings and Questioned Costs	80-81
Summary Schedule of Prior Audit Findings	82
Management Letter	83-89

AlfordNanceJones&Oakley, llp

Certified Public Accountants

J. Wesley Alford, Jr., CPA
Jacqueline L. Nance, CPA

Theresa A. Jones, CPA
Lori A. Oakley, CPA

108 S. Main St., Ste 101 • Madisonville, Kentucky 42431 • Tel: 270-825-4578 • Fax: 270-821-3521 • www.anjocpa.com

INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopkins County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hopkins County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits' Fiscal Year 2019-2020 Financial Audit Contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopkins County School District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules on pages 3 through 7 and pages 54 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hopkins County School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements/schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements/schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020, on our consideration of the Hopkins County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hopkins County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hopkins County School District's internal control over financial reporting and compliance.

Alford, Nance, Jones & Oakley LLP

Alford, Nance, Jones, & Oakley LLP
Madisonville, Kentucky
November 11, 2020

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

YEAR ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS

- The General Fund had \$62.7 million in revenue, which primarily consisted of SEEK (State Funding), property and motor vehicle taxes, and on-behalf revenue reported for payments made from the state in the name of the school district. There were \$59.9 million in General Fund expenditures.
- On September 3, 2019, the Board of Education approved the compensating property tax rate of 68.2 cents per \$100 of assessed value for real property and 68.2 cents for personal property for fiscal year 2020. The rate generated an increase of \$997,085 in tax revenue compared to fiscal year 2019. General property tax revenue increased \$322,523 and franchise tax revenue increased \$578,075 contributing to the largest percentage of the change.
- The Board elected to adopt a 2% salary increase for all employees for the 2019-2020 school year.
- The Board approved various building and ground projects including Madisonville North Hopkins High School tennis courts, a new Bus Driver Training Center and Browning Springs Middle School Field House, the demolition of the old Career and Technology Center, a cooling tower at Grapevine Elementary, a gym roof at Hopkins County Central High School, and a new Hanson Elementary School.
- The District continued the Studer Education initiative by developing district scorecards and action plans. Information was gathered and analyzed for district and school level improvement based off a series of surveys involving parents, employees, and students.
- In October 2019, the Board of Education approved the purchase of four new school buses and in March 2020 six older buses were declared as surplus property and sold through KISTA.
- On March 14, 2020, the Hopkins County Board of Education had a special called meeting to adopt a Pandemic Response Plan related to the COVID-19 Coronavirus.

OVERVIEW OF FINANCIAL STATEMENTS

This analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad review of the District's finances, in a manner similar to private-sector business. Government-wide financial statements outline functions of the District that is principally supported by property taxes and intergovernmental revenues (governmental activities) such as fixed assets and related debt. Governmental activities of the District include instruction, support services, operation and maintenance of facilities, student transportation and operation of non-instructional services.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS accounting software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of the districts may be divided into three categories:

Fiduciary funds - trust funds established by benefactors to aid in student education, welfare and teacher support.

Proprietary funds - child care and food service operations are the district's only proprietary funds.

Governmental funds - all other activities in the District are included in the governmental funds.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$570,160 as of June 30, 2020. This is an improvement of \$4,629,515 compared to 2019.

The largest portion of the District's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Included in the financials for June 30, 2020, is the district's liability for the net pension obligation and the liability for other postemployment benefits.

NET POSITION FOR THE PERIOD ENDING JUNE 30, 2020

The following is a comparison of condensed statement of net position for the current and prior years.

	2019-2020FY	2018-2019FY
Current Assets	\$ 20,847,935	\$ 17,084,990
Restricted Assets	672,125	1,479,859
Capital Assets, net of accumulated depreciation	54,252,077	53,467,941
TOTAL ASSETS	\$ 75,772,137	\$ 72,032,790
TOTAL DEFERRED OUTFLOWS	\$ 10,189,325	\$ 9,572,786
Current Liabilities	\$ 8,788,841	\$ 8,057,427
Noncurrent Liabilities	67,441,337	71,879,518
TOTAL LIABILITIES	\$ 76,230,178	\$ 79,936,945
TOTAL DEFERRED INFLOWS	\$ 9,161,124	\$ 5,727,986
Net Position		
Investment in Capital Assets (Net of Debt)	\$ 29,114,998	\$ 25,572,278
Restricted for:		
Capital Projects	\$ 76,134	\$ 1,014,734
Debt Service	1,857,547	465,125
Unrestricted Fund Balance	(30,478,519)	(31,111,492)
Total Net Position	\$ 570,160	\$ (4,059,355)

COMMENTS ON BUDGET COMPARISONS

- The difference between the original and final budget figures occurred due to:
 1. The district adjusted the budget for a 2% salary increase for all employees adopted by the Board in May 2019.
 2. Staffing adjustments were made based off Board policy and student enrollment.
 3. The budget for instructional staff support and district administrative support services was increased due to step up in years of service.
 4. The budget for district employee benefits was adjusted based on the change in employer portion of benefits, including retirement.
 5. Due to an uncertainty of revenue adjustments from the State related to grant funds and rising pension issues the District adopts a very conservative approach to budgeting revenues.
 6. Board policy requires a working budget that includes a minimum reserve of 2%. The 2019-2020 working budget had a general fund contingency set at 6% in the amount of \$4 million.

The following presents a summary of revenue and expenditures for the fiscal year ended June 30, 2020

	2019-2020FY	2018-2019FY
GENERAL REVENUES		
Property Taxes	\$ 17,258,248	\$ 16,261,164
Motor Vehicle Taxes	1,918,852	1,961,284
Unmined Mineral Taxes	155,463	139,532
Other Taxes	186,688	109,081
Intergovernmental - Local	1,142,810	107,389
Investment Earnings	449,032	493,711
Tuition	11,388	11,722
Student Activities	201,093	191,595
Other Local Revenue	113,562	161,006
Gain (Loss) on Disposal of Fixed Assets	51,773	26,104
State and Formula Grants	42,915,855	43,921,631
PROGRAM REVENUES		
Charges for Services	392,872	361,181
Operations Grants and Contributions	11,041,726	10,448,390
Capital Grants and Contributions	2,403,676	2,807,941
TOTAL REVENUES	\$ 78,243,038	\$ 77,001,731
EXPENSES		
Instruction	40,579,936	41,410,589
Student Support	2,446,271	2,334,345
Instruction Staff Support	2,186,468	2,119,384
District Administrative Support	1,224,883	1,158,391
School Administrative Support	4,402,061	4,420,501
Business Support	2,955,495	2,860,062
Plant Operations and Maintenance	8,322,954	7,541,597
Student Transportation	3,945,037	5,258,978
Other Instructional	-	115,071
Facilities Acquisition and Construction	1,225,513	345,652
Community Services Activities	768,263	711,364
Interest on Long-Term Debt	857,279	1,095,579
Debt Issuance Cost	-	-
Amortization of Bond Premium/Discounts, Net	-	-
Food Services	4,570,305	3,960,041
Child Care	129,058	118,143
TOTAL EXPENSES	\$ 73,613,523	\$ 73,449,697
Changes in Net Position	\$ 4,629,515	\$ 3,552,034
Net Position, Beginning	\$ (4,059,355)	\$ (7,611,389)
Net Position, Ending	\$ 570,160	\$ (4,059,355)

GENERAL FUND REVENUE

Total General Fund revenues are \$62,714,144. The majority of revenue was derived from State Funding of \$42,924,331 or 68%, Local Funding makes up \$19,700,006 or 31%, and other revenues of \$89,807 are less than 1%. Compared to prior year, State Funding took a significant decline by \$1,004,968. SEEK (Support Education Excellence in Kentucky) funding decreased by \$845,155 compared to 2019. A decline in adjusted average daily attendance of 65 at the guaranteed base of \$4,000 made up \$260,792 of this decrease in SEEK funding. Local Funding sources increased by \$1,947,448 including donated property for Hanson Elementary School in the value of \$998,480.

GENERAL FUND EXPENDITURES

Expenditures for general fund totaled \$59,881,166. Approximately 80% of the expenditures were for instruction and administration, some of which was directed by the Site Based Decision Making Councils. Plant operation and maintenance make up 14% of General Fund expenditures and transportation is the remaining 6%.

SCHOOL ALLOCATION

Regular instruction accounts for approximately 75% of the school level expenditures. School level expenditures include instruction, student support, instruction support staff, district administration, and school administration. Total instructional expenses are \$44,880,966.

DISTRICT SUPPORT SERVICES ALLOCATION

The central support services expenditures include Transportation \$3,930,234, Maintenance and Operation \$8,208,294, and District Administrative and Business Functions \$2,818,725.

FUND BALANCE

Beginning fund balance was \$8,585,358, Revenues \$62,714,144, Expenses \$59,881,166, and total other funding sources (uses) of \$(257,282) accounted for a net change in fund balance of \$2,575,696 to reflect an ending fund balance for Fiscal Year 2019-20 of \$11,161,054. This substantial increase can be attributed to strong fiscal responsibility of the District, but we have yet to see how the COVID-19 pandemic will fully impact public education.

BUSINESS TYPE ACTIVITIES

Food Services ended the year with Total Assets and Deferred Outflows of \$3,020,779 and Total Liabilities and Deferred Inflows of \$4,831,527, which left them with Total Net Position of \$(1,810,748). This negative Net Position is from the recognition of net pension liability of \$3,200,481 required under GASB 68 and OPEB liability of \$765,189 required by GASB 75. The Food Service Fund had Total Operating Revenues of \$220,163. This lower operating revenue is related to participation the Community Eligibility Program for all Hopkins County School children. The offsetting increase in revenue is found under Total Non-operating Revenues, which includes Federal and State Grants amounting to \$4,244,707.

OTHER FUNDS

The Special Revenue Grant Fund contains all of the state and federal grants. There was an increase in revenue for the Special Revenue Fund of \$131,151 compared to prior year.

FSPK Fund and Capital Outlay Fund are the restricted building funds and serve as the cash source of our bond payments and major building renovations. Construction Fund serves as the accounting record that contains and manages all building and improvement projects. Debt Service fund accumulates and records the bond payments of principal and interest for the fiscal year. Child Care is the fund that manages our daycare and after school operations. One elementary school operates a child care program, and one operates an afterschool program. They are self-supporting and any profits are used at the child care center to fund instructional supplies and personnel.

BUDGETARY IMPLICATIONS

Kentucky public schools' fiscal year is July 1-June 30. Some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. Significant issues that will change the future of Hopkins County Schools include the COVID-19 pandemic, pensions, postemployment benefits, and potential State funding cuts. Questions regarding this report should be directed to Deanna D. Ashby, Superintendent or Eydie L. Tate, Director of Finance (270) 825-6000 or by mail at 320 South Seminary Street, Madisonville, KY 42431.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

Assets	Governmental Activities	Business- Type Activities	Total
Cash and cash equivalents	\$15,998,762	\$1,697,292	\$17,696,054
Receivables:			
Taxes	1,119,477		1,119,477
Accounts receivable	73,972	36,644	110,616
Intergovernmental – State	64,712		64,712
Intergovernmental – Indirect federal	1,393,861	166,861	1,560,722
Inventories	169,121	94,859	263,980
Prepaid expenses	32,374		32,374
Restricted investments	486,712		486,712
Restricted cash	185,413		185,413
Capital assets, net of accumulated depreciation	54,142,253	109,824	54,252,077
Total Assets	73,666,657	2,105,480	75,772,137
Deferred Outflows of Resources			
Deferred outflows on refunding bonds	887,321		887,321
Deferred outflows from pension contributions	4,701,577	732,227	5,433,804
Deferred outflows from OPEB contributions	3,546,884	321,316	3,868,200
Total Deferred Outflows	9,135,782	1,053,543	10,189,325
Liabilities			
Accounts payable	306,711	82	306,793
Accrued payroll and related expenses	3,488,573	181,504	3,670,077
Retainage payable	-		-
Accrued interest payable	175,204		175,204
Unearned revenue	1,413,642	8,901	1,422,543
Current portion of bond obligations, net	2,840,000		2,840,000
Current portion of capital lease obligation	35,274		35,274
Current portion of accrued sick leave	308,944	30,006	338,950
Current portion of insurance assessment	0		0
Noncurrent Liabilities:			
Noncurrent portion of bond obligations, net	22,812,455		22,812,455
Noncurrent portion of capital lease obligation	226,179		226,179
Noncurrent portion of accrued sick leave	278,832	27,660	306,492
Noncurrent portion of insurance assessment	-		-
Net pension liability	21,527,743	3,372,188	24,899,931
Net OPEB liability	18,390,034	806,246	19,196,280
Total Liabilities	71,803,591	4,426,587	76,230,178
Deferred Inflows of Resources			
Deferred inflows from pension contributions	1,897,326	297,204	2,194,530
Deferred inflows from OPEB contributions	6,463,700	362,894	6,826,594
Unavailable revenues - property taxes	140,000	-	140,000
Total Deferred Inflows	8,501,026	660,098	9,161,124
Net Position			
Net investment in capital assets	29,005,174	109,824	29,114,998
Restricted for:			
Capital projects	76,134	-	76,134
Debt service	1,857,547	-	1,857,547
Unrestricted	(28,441,033)	(2,037,486)	(30,478,519)
Total Net Position	\$2,497,822	(\$1,927,662)	\$570,160

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

		Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$40,579,936	\$89,807	\$5,587,404		(\$34,902,725)		(\$34,902,725)
Support services:							
Student	2,446,271		197,377		(2,248,894)		(2,248,894)
Instruction staff	2,186,468		54,398		(2,132,070)		(2,132,070)
District administrative	1,224,883				(1,224,883)		(1,224,883)
School administrative	4,402,061				(4,402,061)		(4,402,061)
Business	2,955,495				(2,955,495)		(2,955,495)
Plant operation and maintenance	8,322,954		125,200		(8,197,754)		(8,197,754)
Student transportation	3,945,037		158,539		(3,786,498)		(3,786,498)
Other instructional					0		0
Facilities acquisition and construction	1,225,513			\$2,206,930	981,417		981,417
Community service activities	768,263		679,671		(88,592)		(88,592)
Interest on long-term debt	857,279			196,746	(660,533)		(660,533)
Total governmental activities	68,914,160	89,807	6,802,589	2,403,676	(59,618,088)	-	(59,618,088)
Business-Type Activities:							
Food service	4,570,305	220,163	4,208,978	-	-	(\$141,164)	(141,164)
Child care	129,058	82,902	30,159	-	-	(15,997)	(15,997)
Total business-type activities	4,699,363	303,065	4,239,137	-	-	(157,161)	(157,161)
Total primary government	\$73,613,523	\$392,872	\$11,041,726	\$2,403,676	(59,618,088)	(157,161)	(59,775,249)
General Revenues:							
Taxes:							
Property taxes					17,258,248		17,258,248
Motor vehicle taxes					1,918,852		1,918,852
Unmined mineral taxes					155,463		155,463
Other					186,688		186,688
Intergovernmental - local					1,142,810		1,142,810
Investment earnings					411,463	37,569	449,032
Tuition					11,388		11,388
Student activities					201,093		201,093
Other local revenue					113,562		113,562
Gain (loss) on disposal of capital assets					51,773		51,773
State and formula grants					42,915,855		42,915,855
Change in net position					4,749,107	(119,592)	4,629,515
Net position, July 1, 2019					(2,251,285)	(1,808,070)	(4,059,355)
Net position, June 30, 2020					\$2,497,822	(\$1,927,662)	\$570,160

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Special Revenue Grant Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$13,529,979	\$590,200		\$ 1,878,583	\$15,998,782
Receivables:					
Taxes	1,119,477				1,119,477
Accounts receivable	73,972				73,972
Intergovernmental - State					-
Intergovernmental - Indirect federal		1,393,861			1,393,861
Due from other funds					-
Prepaid expenses	2,124			30,250	32,374
Restricted investments				486,712	486,712
Restricted cash			\$185,413		185,413
Total Assets	\$14,725,552	\$1,984,061	\$185,413	\$2,395,545	\$19,290,571
Liabilities					
Accounts payable	\$134,578	\$62,822	\$ 109,279	\$ 32	\$306,711
Accrued payroll and related expenses	2,980,976	507,597			3,488,573
Retainage payable					-
Current portion of accrued sick leave	308,944				308,944
Unearned revenue	140,000	1,413,642			1,553,642
Due to other funds		0			-
Total Liabilities	3,564,498	1,984,061	\$ 109,279	32	5,657,870
Fund Balances					
Nonspendable:					
Prepaid expenses	2,124			30,250	32,374
Restricted:					
Capital projects			76,134		76,134
Debt service				1,857,547	1,857,547
Committed:					
Site-base carryforward	307,979				307,979
District Activity Fund				507,718	507,716
Assigned:					
Encumbrances					-
Unassigned:					
General fund	10,850,951				10,850,951
Special revenue					-
Total Fund Balances	11,161,054	-	76,134	2,395,513	13,632,701
Total Liabilities and Fund Balances	\$14,725,552	\$1,984,061	\$185,413	\$2,395,545	\$19,290,571

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds		\$13,632,701
Inventory is not reported in this fund financial statement because the supplies are not current financial resources, but it is reported in the statement of net position.		169,121
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		54,142,253
Deferred outflows of resources related to pension contributions/liabilities are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.		8,248,461
Intergovernmental - state receivable for KSFCC portion of accrued interest are not reported in this fund financial statement because they are not available to pay current period expenditures, but they are reported in the statement of net position.		64,712
Deferred inflows of resources related to pension contributions/liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		(8,361,026)
Certain liabilities (such as net bonds payable, KISTA lease payable, the long-term portion of accrued sick leave, insurance assessment, net pension liability and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Net bonds payable	(25,652,455)	
Capital lease obligation	(261,453)	
Noncurrent portion of accrued sick leave	(278,832)	
Net pension and OPEB liability	(39,917,777)	
Accrued interest	<u>(175,204)</u>	(66,285,721)
Deferred outflows of resources losses from refunding bonds are not current and are not reported in the fund financial statements.		<u>887,321</u>
Net position of governmental activities		<u><u>\$2,497,822</u></u>

The accompanying notes are an integral part of these financial statements.

HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Grant Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$15,813,862			\$1,444,386	\$17,258,248
Motor vehicle	1,918,852				1,918,852
Unmined mineral	155,463				155,463
Other	186,688				186,688
Tuition	11,388				11,388
Earnings on investments	375,463	\$14,413		21,587	411,463
Student activities				201,093	201,093
Other local revenues	95,480	97,895		18,082	211,457
Intergovernmental - Local	1,142,810				1,142,810
Intergovernmental - State	42,924,331	2,170,557		2,403,676	47,498,564
Intergovernmental - Indirect federal		4,401,930			4,401,930
Intergovernmental - Direct federal	89,807	132,207			222,014
Total revenues	62,714,144	6,817,002	-	4,088,824	73,619,970
Expenditures:					
Current:					
Instruction	34,984,152	5,721,363		147,914	40,853,429
Support services:					-
Student	2,245,193	197,377		7,518	2,450,088
Instruction staff	2,137,495	54,398			2,191,893
District administrative	1,251,970				1,251,970
School administrative	4,262,154				4,262,154
Business	2,818,725				2,818,725
Plant operation and maintenance	8,208,294	125,200		1,400	8,334,894
Student transportation	3,930,234	158,539		-	4,088,773
Other instructional					-
Community service activities		679,671			679,671
Capital outlay:					-
Facilities acquisition and construction			673,397		673,397
Facilities improvements			552,116		552,116
Other-Facilities					0
Debt service:					-
Principal	35,282			2,855,000	2,890,282
Other items				-	-
Interest	7,667			764,073	771,740
Issuance costs					-
Total expenditures	59,881,166	6,936,548	1,225,513	3,775,905	71,819,132
Excess (deficiency) of revenues over (under) expenditures	2,832,978	(119,546)	(1,225,513)	312,919	1,800,838
Other Financing Sources (Uses)					
Payment to escrow agent				-	-
Proceeds from disposal of fixed assets	51,773				51,773
Transfers in	5,344	124,890	286,913	1,606,423	2,023,570
Transfers out	(314,399)	(5,344)	0	(1,703,827)	(2,023,570)
Total other financing sources (uses)	(257,282)	119,546	286,913	(97,404)	51,773
Net change in fund balance	2,575,696	-	(938,600)	215,515	1,852,611
Fund balance, July 1, 2019	8,585,358	-	1,014,734	2,179,998	11,780,090
Fund balance, June 30, 2020	\$11,161,054	\$ -	\$76,134	\$2,395,513	\$13,632,701

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ 1,852,611
Inventory is expensed under the purchases method in the fund financial statements, but must be reported as assets in the statement of net position	371
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed (are less than) depreciation expense for the year.	
Capital outlays	2,837,233
Depreciation expense	<u>(2,062,128)</u>
	775,105
Bond premiums, call premiums and discounts are reported as expenditures in this fund financial statement because they are current financial resources, but they are presented as deferred outflows in the statement of activities and amortized over the remaining life of the bonds. The difference is the amount by which the actual costs exceeds (are less than) amortization expenses for the year.	38,000
Bond payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.	2,855,000
Capital lease payments are recognized as expenditures of current financial resources in fund financial statements but are a reduction in liabilities in the Statement of net position.	35,282
Accruals of intergovernmental - state revenue related to interest paid on-behalf of the District by the state on long-term debt is not reported in this fund financial statement, but is presented as a receivable in the statement of net position.	(8,476)
Accruals of interest and noncurrent sick leave do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental fund statements.	(10,281)
Net effect of deferred inflows, deferred outflows and the net pension obligation related to pension contributions.	(824,208)
Payments on the insurance assessment are expensed in the fund financial statements, but are reductions in liabilities in the statement of net position.	<u>37,683</u>
Change in net position of governmental activities	<u>\$ 4,749,107</u>

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

	Food Service Fund	Child Care Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$1,612,361	\$84,931	\$1,697,292
Inventory	94,859		94,859
Accounts receivable			-
Intergovernmental - Indirect federal	166,861		166,861
Other, net	36,644		36,644
Total current assets	<u>1,910,725</u>	<u>84,931</u>	<u>1,995,656</u>
Noncurrent assets			
Capital assets	1,093,301	-	1,093,301
Less: Accumulated depreciation	<u>(983,477)</u>	<u>-</u>	<u>(983,477)</u>
Total noncurrent assets	<u>109,824</u>	<u>-</u>	<u>109,824</u>
Total assets	<u>2,020,549</u>	<u>84,931</u>	<u>2,105,480</u>
Deferred Outflows of Resources			
Deferred Outflows from CERS Contribution	695,277	36,950	732,227
Deferred Outflows OPEB	304,953	16,363	321,316
Total Deferred Outflows	<u>1,000,230</u>	<u>53,313</u>	<u>1,053,543</u>
Total Assets and Deferred Outflows	<u>\$3,020,779</u>	<u>\$138,244</u>	<u>\$3,159,023</u>
Liabilities			
Current liabilities			
Accounts payable	\$0	\$82	\$82
Accrued payroll and related expenses	172,805	8,699	181,504
Current portion - accrued sick leave	30,006		30,006
Unearned revenue	8,901		8,901
Total current liabilities	<u>211,712</u>	<u>8,781</u>	<u>220,493</u>
Noncurrent liabilities			
Accrued sick leave	27,660		27,660
Net pension liability	3,200,481	171,707	3,372,188
Net OPEB liability	765,189	41,057	806,246
Total noncurrent liabilities	<u>3,993,330</u>	<u>212,764</u>	<u>4,206,094</u>
Total liabilities	<u>4,205,042</u>	<u>221,545</u>	<u>4,426,587</u>
Deferred Inflows of Resources:			
Deferred Inflows from CERS Contribution	282,071	15,133	297,204
Deferred Inflows from OPEB	344,414	18,480	362,894
Total Deferred Inflows	<u>626,485</u>	<u>33,613</u>	<u>660,098</u>
Net Position			
Net investment in capital assets	109,824		109,824
Unrestricted	(1,920,572)	(116,914)	(2,037,486)
Total net position	<u>(1,810,748)</u>	<u>(116,914)</u>	<u>(1,927,662)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$3,020,779</u>	<u>\$138,244</u>	<u>\$3,159,023</u>

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Food Service Fund	Child Care Fund	Total
Operating Revenues:			
Lunchroom sales	\$73,200		\$73,200
Community service activities		\$82,902	82,902
Other operating revenues	146,963		146,963
Total operating revenues	<u>220,163</u>	<u>82,902</u>	<u>303,065</u>
Operating Expenses:			
Salaries and wages	1,263,969	61,612	1,325,581
Employee benefits	1,457,509	54,122	1,511,631
Contract services	48,810	3,517	52,327
Materials and supplies	1,787,568	9,807	1,797,375
Depreciation	12,449		12,449
Other operating expenses			-
Total operating expenses	<u>4,570,305</u>	<u>129,058</u>	<u>4,699,363</u>
Operating loss	<u>(4,350,142)</u>	<u>(46,156)</u>	<u>(4,396,298)</u>
Nonoperating Revenues (Expenses):			
Federal grants	3,558,010		3,558,010
State grants	650,968	30,159	681,127
Interest income	35,729	1,840	37,569
Total nonoperating revenues (expenses)	<u>4,244,707</u>	<u>31,999</u>	<u>4,276,706</u>
Change in net position	<u>(105,435)</u>	<u>(14,157)</u>	<u>(119,592)</u>
Net position, July 1, 2019	<u>(1,705,313)</u>	<u>(102,757)</u>	<u>(1,808,070)</u>
Net position, June 30, 2020	<u><u>(\$1,810,748)</u></u>	<u><u>(\$116,914)</u></u>	<u><u>(\$1,927,662)</u></u>

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Food Service Fund	Child Care Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$107,777		\$107,777
Community service activities		\$82,902	82,902
Other operating activities	146,963		146,963
Cash paid to/for:			
Employees	(1,657,990)	(81,481)	(1,739,471)
Supplies	(1,595,753)	(9,781)	(1,605,514)
Other activities	(48,810)	(3,517)	(52,327)
Net cash provided (used) by operating activities	<u>(3,047,813)</u>	<u>(11,857)</u>	<u>(3,059,670)</u>
Cash Flows from Noncapital Financing Activities			
Government grants	3,175,922	91	3,176,013
Insurance proceeds	-	-	-
Transfer in from other fund	-	-	-
Net cash provided (used) by noncapital financing activities	<u>3,175,922</u>	<u>91</u>	<u>3,176,013</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(21,480)	-	(21,480)
Net cash provided (used) by capital and related financing activities	<u>(21,480)</u>	<u>-</u>	<u>(21,480)</u>
Cash Flows from Investing Activities			
Receipt of interest income	35,729	1,840	37,569
Net cash provided (used) by investing activities	<u>35,729</u>	<u>1,840</u>	<u>37,569</u>
Net increase (decrease) in cash and cash equivalents	142,358	(9,926)	132,432
Balances, beginning of year	<u>1,470,003</u>	<u>94,857</u>	<u>1,564,860</u>
Balances, end of year	<u>\$1,612,361</u>	<u>\$84,931</u>	<u>\$1,697,292</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$4,350,142)	(\$46,156)	(\$4,396,298)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	12,449		12,449
On-behalf payments	616,863	30,069	646,932
Commodities received	249,332		249,332
Change in assets and liabilities			
Receivables - other	34,513		34,513
Inventory	(56,911)		(56,911)
Accounts payable	(606)	48	(560)
Accrued payroll & related expense	2,465	525	2,990
Accrued sick leave	4,296		4,296
Unearned revenue	64		64
Net pension liability	439,864	3,659	443,523
Net cash provided (used) by operating activities	<u>(\$3,047,813)</u>	<u>(\$11,857)</u>	<u>(\$3,059,670)</u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$249,332		\$249,332
Benefits paid by state of Kentucky on behalf of District	\$616,863	\$30,069	\$646,932

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020**

	<u>Agency Fund</u>	<u>Private Purpose Trust Fund</u>
Assets		
Cash and cash equivalents	\$728,165	\$101,137
Accounts receivable	<u>0</u>	<u>-</u>
Total assets	<u><u>\$728,165</u></u>	<u><u>\$101,137</u></u>
Liabilities		
Accounts payable	\$12,070	-
Due to student groups	<u>716,095</u>	<u>-</u>
Total liabilities	<u><u>\$728,165</u></u>	<u><u>-</u></u>
Net Position		
Held in trust for private purpose		<u><u>\$101,137</u></u>

See independent auditor's report and accompanying notes to financial statements

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions	
Private donations	\$ -
Net Investment Income (loss)	<u>2,837</u>
Total additions	2,837
Deductions	
Scholarship awards	<u>6,000</u>
Changes in net position	(3,163)
Net position, beginning	<u>104,300</u>
Net position, ending	<u><u>\$ 101,137</u></u>

See independent auditor's report and accompanying notes to financial statements

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. Reporting Entity

The Hopkins County Board of Education (Board), a five member group, is a level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Hopkins County School District (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity, as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Hopkins County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

These financial statements present the District and its component units, entities for which the District entity is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governmental entity's operations and so data from these units would be combined with data of the primary governmental entity. The Hopkins County School District has one blended component unit.

Blended Component Unit:

Hopkins County School District Finance Corporation - In 1989, the Hopkins County, Kentucky, Board of Education resolved to authorize the establishment of the Hopkins County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Hopkins County Board of Education also comprise the Corporation's Board of Directors.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The effect of interfund activity has been substantially removed from these statements.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation, with brief explanations, to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation, continued

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, those revenues are primarily charges for meals provided by the various schools. All revenues not meeting this definition are reported as nonoperating revenues. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District had the following funds:

Governmental Fund Types

- 1) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- 2) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
 - a) The Special Revenue (Grant) Fund accounts for proceeds of federal, state and local grants that are legally restricted to disbursements for specified purposes. Unused balances are returned to the grantor at the close of the specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
 - b) The District Activity Fund is used to account for funds to support co-curricular and extracurricular activities not raised or expended by student groups.
- 3) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by a proprietary fund).

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation, continued

- a) The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan and for the corresponding debt service.
- b) The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan and for the corresponding debt service.
- c) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- 4) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Type

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has two enterprise funds: the School Food Service Fund and the Child Care Fund.

- 1) The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.
- 2) The Child Care Fund is used to account for child care activities in its three licensed child care centers.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds). The Private Purpose Trust Fund is used to account for one separate scholarship- the Mary Florence Long Scholarship. All resources of this fund may be used to award scholarships in the areas specified in the trust arrangements.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The Agency Fund consists of activity funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

(b) Basis of Accounting

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. Summary of Significant Accounting Policies, continued

(b) Basis of Accounting, continued

Governmental fund financial statements are reported using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenditures are generally recognized when the related liability is incurred.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the District must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

(c) Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. A capitalization threshold applies to tangible property costing \$5,000 or more and has a useful life of more than one (1) year, all computers regardless of value, and theft sensitive items that maybe identified by the District. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

(d) Cash and Cash Equivalents/Restricted Cash/Investments

For purposes of the Statement of Cash Flows in the Proprietary Funds, the Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash is restricted in the general fund for the flexible spending account and in the capital

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. Summary of Significant Accounting Policies, continued

(d) Cash and Cash Equivalents/Restricted Cash/Investments, continued

projects funds per state requirements. Investments are restricted in the debt service fund per debt agreement. (See Notes 4 and 5)

Cash balances of the District's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District's accounts are insured, subject to FDIC and NCUSIF coverage terms and limitations. (See Note 4)

State statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. Agencies, certain federal instruments, commercial bank's certificates of deposit savings and loan deposits, repurchase agreements, and the Commonwealth of Kentucky Investment Pool.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The district does not have any investments that are measured using Level 2 or Level 3 inputs.

The District has the following recurring fair value measurement as of June 30, 2020:

- Certificates of Deposit of \$486,712 are valued using quoted market prices (Level 1 inputs); the carrying amount approximated fair value due to the short-term highly liquid nature.

(e) Accounts Receivable

An allowance for doubtful accounts is provided for accounts receivable in the Food Service Fund. Accounts receivable are reported net of this allowance, which was \$6,226 as of June 30, 2020.

(f) Inventories/Commodities

Supplies and materials are charged to expenditures when purchased at the fund statement level, with the exception of the proprietary funds, which records inventory using the accrual basis of accounting. Similarly, due to the economic resources measurement focus, bus garage supply inventories are reported as an asset on the District-wide Statement of Net Position. Inventories are valued at cost or at their estimated fair value at the date of donation, using the first-in, first-out method. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. For the purposes of the statement of cash flows, a federal grant received does not include noncash commodities received in the amount of \$249,332.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. Summary of Significant Accounting Policies, continued

(g) Accrued Liabilities/Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. Bond discounts and premiums are netted against the bond principal and are amortized on a straight-line basis over the life of the bonds.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

(h) Net Position and Fund Balance

District-Wide Financial Statements

Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Capital Projects/Debt Service – The components of net position that report the financial resources restricted to pay for construction activities (capital projects) or related debt service.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Investment in Capital Assets or Net Position Restricted for Capital Projects/Debt Service.

Governmental Fund Financial Statements

In July 2010, the District adopted Statement of Governmental Accounting standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, in the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned fund balance. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable fund balances are those amounts that cannot be spent because they are either: (1) generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts or (2) amounts that are required to be maintained intact, such as the principal of a permanent fund.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. Summary of Significant Accounting Policies, continued

(h) Net Position and Fund Balance, continued

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which results in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

(i) Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(j) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(k) Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

(l) Compensated Absences (Accrued Sick Leave)

The Hopkins County School District allows employees to accumulate and carry over sick days from year to year. The amount of total days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive an amount up to thirty percent (30%) of the value of

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. Summary of Significant Accounting Policies, continued

(l) Compensated Absences (Accrued Sick Leave), continued

accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to employees with more than twenty years of experience. Separation of employment for any reason other than retirement results in the employee forfeiting all accumulated sick and personal leave.

The entire accrued sick leave liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

(m) Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances is provided for at each year-end. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

(n) Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued. In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(o) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

(p) Other Postemployment Benefits-(OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers' Retirement System of the State of Kentucky ("TRS") and additions to/deductions from CER's and TRS's fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. Summary of Significant Accounting Policies, continued

(q) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Deferred outflows related to pensions and OPEB are reported in the statement of net position. A deferred outflow from pension's and OPEB's results from System contributions made subsequent to the measurement date, difference between expected and actual experience, net difference between projected and actual investment earnings on pension and OPEB plan investments, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions. This amount from System contributions made subsequent to the measurement date are deferred and will be recognized as a reduction of net pension liability and net OPEB liability in the year ending June 30, 2020. The other components of deferred outflows are deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

Deferred outflows from a bond refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to pensions and OPEB are reported in the statement of net position. A deferred inflow from pension's and OPEB's results from net differences between expected and actual earnings on pension and OPEB plan investments and the changes in proportions in differences between employer contributions and proportionate share of contributions. This amount is deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

(r) Prepaid Expenses

Payments made that will benefit periods beyond June 30, 2020 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

(s) Recently Issued Accounting Standards

The following recently issued accounting standards are expected to impact the financial statements of the District in future periods:

GASBS No. 84 Fiduciary Activities

In January of 2017, the GASB issued Statement No. 84 to improve guidance regarding the identification, accounting and financial reporting for fiduciary activities. This Statement establishes criteria for identifying

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. Summary of Significant Accounting Policies, continued

(s) Recently Issued Accounting Standards, continued

fiduciary activities for all state and local governments, and requires that activities meeting such criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact the standard will have on its financial statements.

GASBS No. 87 Leases

In June of 2017, the GASB issued Statement No. 87 to improve accounting and financial reporting for leases by governments, by establishing standards for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to-use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources. The Statement is effective for reporting periods beginning after June 15, 2021. The District is currently evaluating the impact that the standard will have on its financial statements.

3. Property Taxes

Property taxes collected are recorded as revenues in the Fund for which they were levied. Each year, property taxes are levied on October 1, based on assessments as of January 1 prepared by the Hopkins County property valuation administrator. The taxes are payable on November 1. The tax rates placed in effect are 68.2 cents per \$100 of assessed valuation on real estate and 68.2 cents on personal property, of which 5.8 cents is for participation in the Facility Support Program, and 54.7 cents per \$100 of assessed valuation on motor vehicles.

4. Deposits and Investments

At June 30, 2020, the carrying amount of the District's deposits was \$19,197,481 and the bank balance was \$20,311,576. Of the bank balances, \$987,390 was insured by federal depository insurance, \$19,308,715 was covered by collateral held by the pledging bank's agent and \$15,471 was federally insured by the National Credit Insurance Fund.

The District's deposits at June 30, 2020 consisted of the following:

	Bank Balance	Book Balance
Old National Bank - demand	\$ -	\$ -
Fifth Third Bank - demand	-	-
Hopkins County Credit Union - demand	15,471	15,471
First United Bank - demand	19,809,393	18,695,298
The Cecilian Bank - certificate of deposit	486,712	486,712
	<u>\$ 20,311,576</u>	19,197,481
Restricted cash		(185,413)
Restricted investments		(486,712)
Unrestricted cash and cash equivalents		<u>\$ 18,525,356</u>
Reported in the financial statements:		
Governmental funds: cash and cash equivalents		\$ 15,998,762
Proprietary funds: cash and cash equivalents		1,697,292
Fiduciary funds: cash and cash equivalents		829,302
		<u>\$ 18,525,356</u>

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

5. Restricted Cash and Investments

Restricted cash at June 30, 2020 consists of the following:

<u>Capital Projects Funds</u>	
Construction Fund	185,413
Total Restricted Cash	<u>\$ 185,413</u>

Restricted investments at June 30, 2020 consists of the following:

Debt Service Fund (QZAB certificate of deposit)	<u>\$ 486,712</u>
---	-------------------

6. Capital Assets

During the year ended June 30, 2020, the following changes occurred in capital assets:

<u>Governmental Activities:</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Not depreciated:				
Land and land improvements	\$ 2,069,657	\$ 1,078,680	\$ -	\$ 3,148,337
Construction in progress	338,645	983,109	500,166	821,588
Totals not being depreciated	<u>2,408,302</u>	<u>2,061,789</u>	<u>500,166</u>	<u>3,969,925</u>
Depreciated:				
Buildings and improvements	80,505,564	664,324		81,169,888
Technology equipment	970,872	57,055		1,027,927
Vehicles	7,947,256	485,942	352,071	8,081,127
General equipment	4,600,944	108,612	12,900	4,696,656
Totals at historical cost	<u>94,024,636</u>	<u>1,315,933</u>	<u>364,971</u>	<u>94,975,598</u>
Less accumulated depreciation:				
Buildings and improvements	32,230,753	1,509,118		33,739,871
Technology equipment	836,227	59,903		896,130
Vehicles	5,967,544	403,739	313,013	6,058,270
General equipment	4,031,266	89,368	11,635	4,108,999
Total accumulated depreciation	<u>43,065,790</u>	<u>2,062,128</u>	<u>324,648</u>	<u>44,803,270</u>
Depreciated assets, net	<u>50,958,846</u>	<u>(746,195)</u>	<u>40,323</u>	<u>50,172,328</u>
Governmental Activities Capital Assets - Net	<u>\$ 53,367,148</u>	<u>\$ 1,315,594</u>	<u>\$ 540,489</u>	<u>\$ 54,142,253</u>
<u>Business-Type Activities:</u>				
Depreciated:				
General equipment	\$ 1,071,821	\$ 21,480		\$ 1,093,301
Technology equipment	8,149			8,149
Totals at historical cost	<u>1,079,970</u>	<u>21,480</u>	<u>-</u>	<u>1,101,450</u>
Less accumulated depreciation:				
General equipment	971,028	12,449		983,477
Technology equipment	8,149	-		8,149
Total accumulated depreciation	<u>979,177</u>	<u>12,449</u>	<u>-</u>	<u>991,626</u>
Business-Type Activities Capital Assets - Net	<u>\$ 100,793</u>	<u>\$ 9,031</u>	<u>\$ -</u>	<u>\$ 109,824</u>

HOPKINS COUNTY SCHOOL DISTRICT**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2020****6. Capital Assets, continued**

Depreciation expense was charged to governmental functions as follows:

Instruction	\$
Support services:	
Student	15,484
Instruction staff	0
District administrative	9,887
School administrative	31,860
Business	57,769
Plant operation and maintenance	1,615,274
Student transportation	<u>331,854</u>
Total depreciation expense	<u>\$ 2,062,128</u>

7. Long-Term Debt**Bonds**

The District issues bonds to provide funds for the acquisition and construction of major capital facilities and improvements. The original amount of the issue, the issue dates and interest rates are summarized below:

Issue	Original Amount	Interest Rates
Issue of 2004 (BSMS)	10,000,000	1.90% - 4.375%
Issue of 2004 (QZAB)	500,000	N/A (tax credits, in lieu of)
Issue of 2007 (Refunding) (MNHHS)	3,605,000	3.70% (term)
Issue of 2009 (Energy)	5,150,000	2.00% - 4.50%
Issue of 2009 (Refunding-WBES,EES,HES,WHS)	2,705,000	2.00% - 3.50%
Issue of 2011A (Career & Technical Center)	9,030,000	2.00% - 4.625%
Issue of 2011B (Refunding 2001)	9,320,000	2.00% - 3.00%
Issue of 2012 (Refunding 2004-BSMS)	9,150,000	1.00% - 2.375%
Issue of 2013 (Refunding 2005-BSMS)	1,215,000	1.70% - 2.10%
Issue of 2014 (HCCTCII)	4,155,000	2.25% - 3.125%
Issue of 2016 (Refunding 2009 Energy Bonds)	2,745,000	1.00% - 2.25%
Issue of 2016 (Refunding 2006 PES)	955,000	1.00% - 3.00%
Issue of 2017A (Refunding 2014 BAN)	2,395,000	1.25% - 3.50%
Issue of 2017B (Refunding 2004 BSMS & 2007 MNHHS)	3,040,000	5.00%
Issue of 2017C (Refunding 2011 A Career & Technical Center)	4,100,000	2.00% - 3.00%

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series of 2004, dated October 15, 2004 in the amount of \$10,000,000 were issued for the purpose of financing the cost, not otherwise provided, of the construction of a school building project consisting of the additions and renovations of Browning Springs Middle School.

Hopkins County School District Finance Corporation Qualified Zone Academy Bonds, Series of 2004, dated December 21, 2004 in the amount of \$500,000 were issued for the purpose of providing funds to pay the cost, not otherwise provided, of renovating the Browning Springs Middle School. A certificate of deposit was purchased (currently \$486,712) bearing interest at 4.55% which will mature in December, 2020. Interest earned is reinvested annually into the certificate of deposit. The maturity and interest rate were determined in order to yield an amount at maturity of \$500,000, sufficient to retire the \$500,000 QZAB bond upon its maturity.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

7. Long-Term Debt, continued

Bonds, continued

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2007, dated December 18, 2007, in the amount of \$3,605,000 were issued to (i) provide for the payment of the interest on the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 1998-A, dated January 1, 1998, scheduled to mature on and after January 1, 2010 (the "Refunded Bonds"), on each January 1 and July 1 through January 1, 2023; (ii) provide for the redemption of the Refunded Bonds on January 1, 2010, at a redemption price of 102% of the principal amount redeemed; and (iii) provide for the payment of the costs of issuance incurred in connection with the Bonds. This refunding was undertaken to reduce total debt service payments over the next fifteen years by \$233,655 and resulted in an economic gain of \$182,996. In January, 2010, the remaining balance of the 1998-A bonds were redeemed. Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009 dated May 5, 2009 in the amount of \$5,150,000, were issued for the acquisition, installation, and construction of energy conservation measures at various schools in the Hopkins County School District.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2009, dated May 20, 2009, in the amount of \$2,705,000 were issued to (i) provide for refunding of the Hopkins County School District Finance Corporation School Building Revenue Bonds Series 1999-A, at a redemption price of 101% of the principal amount redeemed; and (ii) provide for the refunding of the Hopkins County School District Finance Corporation School Building Revenue Bonds Series 2000, at a redemption price of 101%. Net proceeds of \$843,531 were placed in an escrow account from which State and Local Government Securities (SLGS) were purchased for the purpose of generating resources for the future debt service payments on \$795,000 of refunded debt. As a result, \$795,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2000 were considered to be defeased and the liability was removed from long-term debt. This refunding (1999-A) and advance refunding (2000) was undertaken to reduce total debt service payment over the next eleven years by \$230,031 and resulted in an economic gain of \$195,233. In June, 2020 the remaining balance of the defeased 2009 bonds were redeemed.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2011A dated April 5, 2011, in the amount of \$9,030,000 were issued to finance the construction of a new single story, approximately 39,700 square foot, career and technology center.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2011B, dated April 19, 2011, in the amount of \$9,320,000, were issued for the purpose of refunding the outstanding Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2001, dated January 15, 2001, scheduled to mature on and after June 1, 2012. The redemption price is 101% resulting in a redemption call premium of \$90,850. This refunding was undertaken to reduce total debt service payments over the next nine years by \$969,523 and resulted in an economic gain of \$889,520. In June, 2012 the remaining balance of the defeased 2001 bonds were redeemed.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2012 dated February 7, 2012 in the amount of \$9,150,000, were issued for the purpose of refunding through escrow a portion of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2004, dated October 15, 2004, scheduled to mature on and after October 1, 2020 (the "Bonds of 2004"), issued by the Corporation by providing for the payment of the interest on the Bonds of 2004 due and payable on and prior to October 1, 2014, and by calling for redemption on October 1, 2014 (the first permissible date at a redemption price of 100%), all of the Bonds of 2004 scheduled to mature on and subsequent to October 1, 2020, in order to obtain substantial savings in interest costs. Net proceeds of \$8,941,276 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$9,007,506 of refunded debt. As a result, \$7,990,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2004 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

7. Long-Term Debt, continued

Bonds, continued

debt service payments over the next thirteen years by \$655,956 and resulted in an economic gain of \$583,834. In October, 2017 the remaining balance of the defeased 2004 bonds were redeemed.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2013 dated February 5, 2013 in the amount of \$1,215,000, were issued for the purpose of refunding through escrow a portion of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2005, dated August 1, 2005, scheduled to mature on and after August 1, 2016 (the "Bonds of 2005"), issued by the Corporation by providing for the payment of the interest on the Bonds of 2005 due and payable on and prior to August 1, 2015, and by calling for redemption on August 1, 2015 (the first permissible date at a redemption price of 100%), all of the Bonds of 2005 scheduled to mature on and subsequent to August 1, 2016, in order to obtain substantial savings in interest costs. Net proceeds of \$1,173,618 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$1,372,220 of refunded debt. As a result, \$1,070,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2005 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$67,695 and resulted in an economic gain of \$61,516. The outstanding balance of the defeased 2005 bonds was \$710,000 as of June 30, 2020.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2014 dated July 2, 2014, in the amount of \$4,155,000 were issued to finance the construction of a new single story, approximately 39,736 square foot, career and technology center.

Hopkins County School District Finance Corporation Energy Conservation Refunding Revenue Bonds, Series 2016 dated June 9, 2016 in the amount of \$2,745,000 were issued for the purpose of providing funds, not otherwise provided, for the advance refunding through escrow of the Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009, dated May 5, 2009, maturing on or after May 1, 2022. Net proceeds of \$2,691,643 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$2,769,975 of refunded debt. As a result, \$2,475,000 of the Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$172,492 and resulted in an economic gain of \$154,178. The outstanding balance of the defeased 2009 bonds was \$2,620,000 as of June 30, 2020.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2016 dated February 25, 2016 in the amount of \$955,000 were issued for the purpose of providing funds, not otherwise provided, for the advance refunding through escrow of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2006, dated November 1, 2006, maturing on or after November 1, 2017. Net proceeds of \$937,825 were placed in an escrow account from which \$17,863 was to make a partial 05/01/2016 interest payment on the 2006 series bonds refunded with the remaining \$919,962 to purchase U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$940,725 of refunded debt. As a result, \$905,000 of the Hopkins County School District Finance Corporation Building Revenue Bonds, Series 2006 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$52,490 and resulted in an economic gain of \$49,914. The outstanding balance of the defeased 2006 bonds was \$670,000 as of June 30, 2020.

Hopkins County School District Finance Corporation Refunding Revenue Bonds, Series 2017A dated May 4, 2017 in the amount of \$2,395,000 were issued for the purpose of providing funds, not otherwise provided, for the refunding of the Hopkins County School District Finance Corporation Bond Anticipation Notes Series 2014, dated July 2, 2014, maturing on or after August 1, 2017. Net proceeds of \$2,361,345 were deposited into an Old

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

7. Long-Term Debt, continued

Bonds, continued

National Wealth Management Series 2014 Sinking Fund account for the purpose of calling for redemption on May 8, 2017 the 2014 issue of Bond Anticipation Notes. The proceeds into the Series 2014 Sinking Fund represent principal of \$2,355,000 on the 2014 Bond Anticipation Notes and \$6,345 of interest. As a result, \$2,355,000 of the Hopkins County School District Finance Corporation Bond Anticipation Notes, Series 2014 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to convert a short-term debt Bond Anticipation Note into a long term debt bond. This refunding resulted in no reduction of total debt service payments over the life of the bond and resulted in no economic gain. In May, 2017 the remaining balance of the defeased 2014 BAN's were redeemed

Hopkins County School District Finance Corporation Refunding Revenue Bonds, Series 2017B dated August 30, 2017 in the amount of \$3,040,000 were issued for the purpose of providing funds, not otherwise provided, for the refunding of the Hopkins County School District Finance Corporation Bond Series 2004 and Bond Series 2007, dated October 15, 2004 and December 18, 2007, respectively. The 2004 Series matures on or after October 1, 2019. The 2007 Series matures on or after January, 1 2023. Net proceeds of \$3,291,585 were deposited into a Bond Fund account for the purpose of calling for redemption the 2004 Bond issue and 2007 Bond issue on October 1, 2017 and January 1, 2018, respectively. The proceeds into the Series 2004 Bond Fund represent principal of \$1,260,000 and interest of \$699. The proceeds into the Series 2007 Bond Fund represent principal of \$1,995,000 and interest of \$36,908. As a result, \$1,260,000 of the Hopkins County School District Finance Corporation Bond Series 2004 and \$1,995,000 of the Hopkins County School District Finance Corporation Bond Series 2007 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$165,129 and resulted in an economic gain of \$159,517. The remaining balance of the defeased 2004 Bonds and 2007 Bonds were redeemed In October, 2017 and January, 2018, respectively.

Hopkins County School District Finance Corporation Refunding Revenue Bonds, Series 2017C dated August 30, 2017 in the amount of \$4,100,000 were issued for the purpose of providing funds, not otherwise provided, for the refunding of the Hopkins County School District Finance Corporation Bond Series 2011A, dated April 5, 2011, maturing on or after April 1, 2031. Net proceeds of \$4,194,864 were deposited into a 2011 Escrow Fund account for the purpose of calling the 2011A Bond issue for redemption on April 1, 2026 and thereafter and to pay interest on the refunded bonds to the call date. The proceeds into the Series 2011 Escrow Fund represent \$4,193,755 to purchase a portfolio of securities provided by Wells Fargo Bank and \$973 will remain on hand in the Series 2011 Escrow Fund. The portfolio of securities was purchased for the purpose of generating resources for the future debt service payments of \$4,409,575 on refunded debt. As a result, \$3,760,000 of the Hopkins County School District Finance Corporation Bond Series 2011A are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next fourteen years by \$283,670 and resulted in an economic gain of \$252,528. The outstanding balance of the defeased 2011A bonds was \$3,960,000 as of June 30, 2020.

Participation Agreements

The District entered into participation agreements with the Kentucky School Facilities Construction Commission (KSFCC). The Commission was created by the Kentucky legislature for the purpose of assisting local school districts in meeting school construction needs. Receipts from the KSFCC are recorded as intergovernmental-state revenue in the Debt Service Fund. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues (See Note 14).

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

7. Long-Term Debt, continued

Insurance Assessment

The Kentucky School Boards Insurance Trust (KSBIT) has notified all past and present members that they will be assessed to make up for a growing deficit in the Workers' Compensation Self-Insurance Fund. In August, 2014 the District recorded a liability of \$301,477. The District financed the Workers' Compensation liability portion through an interest free loan from KSBIT over 6 years after a 25% down payment. Annual payments are \$37,685.

Maturities

The annual debt service requirements to maturity for long-term debt payable as of June 30, 2020 are as follows:

	Hopkins County Board of Education		School Facilities Construction Commission		Total Interest	Total Principal	Total Requirement
	Interest	Principal	Interest	Principal			
2020-21	485,488	2,862,723	184,909	477,277	670,397	3,340,000	4,010,397
2021-22	418,766	2,444,205	175,267	490,795	594,033	2,935,000	3,529,033
2022-23	350,594	2,529,221	163,718	490,779	514,312	3,020,000	3,534,312
2023-24	272,382	2,618,846	151,279	501,154	423,661	3,120,000	3,543,661
2024-25	207,033	2,708,161	137,219	521,839	344,252	3,230,000	3,574,252
2025-26	162,401	2,266,947	121,768	633,053	284,169	2,900,000	3,184,169
2026-27	97,642	1,609,444	105,514	490,556	203,156	2,100,000	2,303,156
2027-28	58,505	843,426	93,464	416,574	151,969	1,260,000	1,411,969
2028-29	36,194	551,517	81,763	428,483	117,957	980,000	1,097,957
2029-30	22,277	144,050	67,991	460,950	90,268	605,000	695,268
2030-31	17,966	58,663	52,240	481,337	70,206	540,000	610,206
2031-32	16,000	70,000	35,200	250,000	51,200	320,000	371,200
2032-33	13,638	75,000	25,000	260,000	38,638	335,000	373,638
2033-34	11,106	75,000	14,300	275,000	25,406	350,000	375,406
2034-35	8,575	80,000	4,400	220,000	12,975	300,000	312,975
2035-36	5,775	80,000			5,775	80,000	85,775
2036-37	2,975	85,000			2,975	85,000	87,975
TOTALS	\$ 2,187,317	\$ 19,102,203	\$ 1,414,032	\$ 6,397,797	\$ 3,601,349	\$ 25,500,000	\$ 29,101,349

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

7. Long-Term Debt, continued

Maturities, continued

During the year ended June 30, 2020, the following changes occurred in the long-term debt:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental activities:					
Revenue bonds:					
Issue of 2004 (BSMS)	-			-	-
Issue of 2004 (QZAB)	500,000			500,000	-
Issue of 2007 (Refunding)	-			-	-
Issue of 2009 (Energy)	510,000		250,000	260,000	260,000
Issue of 2009 (Refunding-var.)	105,000		105,000	-	-
Issue of 2011A (CTC)	2,275,000		360,000	1,915,000	345,000
Issue of 2012 (Refunding-BSMS 2004)	8,360,000		120,000	8,240,000	1,390,000
Issue of 2013 (Refunding-BSMS 2005)	825,000		115,000	710,000	115,000
Issue of 2014 (HCCTCII)	3,455,000		175,000	3,280,000	180,000
Issue of 2016 (Refunding- Energy 2009)	2,650,000		30,000	2,620,000	30,000
Issue of 2016 (Refunding- PES 2006)	760,000		90,000	670,000	90,000
Issue of 2017A (Refunding-BAN 2014)	2,145,000		10,000	2,135,000	10,000
Issue of 2017B (Refunding-2004 BSMS & 2007)	2,780,000		1,570,000	1,210,000	390,000
Issue of 2017C (Refunding-2011A)	3,990,000		30,000	3,960,000	30,000
Total bonds payable	<u>28,355,000</u>	<u>-</u>	<u>2,855,000</u>	<u>25,500,000</u>	<u>2,840,000</u>
Unamortized premium/discount	188,455		36,000	152,455	
Net bonds payable	<u>28,543,455</u>	<u>-</u>	<u>2,891,000</u>	<u>25,652,455</u>	<u>2,840,000</u>
Capital leases	296,735		35,282	261,453	35,274
Compensated absences	446,840	140,936 (A)		587,776	308,944
Insurance assessment	37,683		37,683	-	
Net OPEB liability	21,760,460		3,370,426	18,390,034	
Net pension liability	20,055,426	1,472,317		21,527,743	-
	<u>\$ 71,140,599</u>	<u>\$ 1,613,253</u>	<u>\$ 6,334,391</u>	<u>\$ 66,419,461</u>	<u>\$ 3,184,218</u>
Business-type activities:					
Net OPEB liability	\$ 864,304		\$ 58,058	\$ 806,246	
Net pension liability	2,964,889	407,299		3,372,188	-
Compensated absences	53,370	4,296		57,666	30,006
	<u>\$ 3,882,563</u>	<u>\$ 411,595</u>	<u>\$ 58,058</u>	<u>\$ 4,236,100</u>	<u>\$ 30,006</u>

(A) This amount represents the net change in compensated absences, i.e., days earned less days taken and/or paid.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

8. Capital Lease Obligations

The District has entered into various lease agreements with KISTA for financing the acquisitions of school buses. The KISTA lease payments are paid by the General Fund and reported as debt service. The capital lease obligations are included in depreciation expense and allocated to the student transportation function. The following is an analysis of leased property under capital leases by class:

<u>KISTA Leases</u>	<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
2017	Vehicles(4 buses)	\$377,708	\$116,382

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2020:

<u>Year Ending June 30,</u>	<u>Capital Lease Obligations</u>
2021	42,939
2022	42,906
2023	42,949
2024	42,967
Remaining three years thereafter,	116,234
Total minimum lease payments	287,995
Less: Amount representing interest	(26,542)
Present Value of Net Minimum Lease Payments	<u>\$ 261,453</u>

9. Defined Contribution Plans

The District makes available various 401(k) and 403(b) defined contribution pension plans for all regular full-time and part-time employees. These Plans are administered by independent third party administrators. Employees are allowed to contribute any amount to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to the Plans, but retains authority to amend or terminate these plans. During the year ended June 30, 2020, employees of the District contributed \$132,942 to 401(k) plans and \$129,737 to 403(b) plans.

10. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. The District does not contribute to these plans. Employees of the District contributed \$69,270 to these plans during the year ended June 30, 2020.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

11. Pension Benefits – Teachers' Retirement System of the State of Kentucky

Plan description - Teaching-certified employees of the Hopkins County School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

Benefits provided - For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions- Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

The Hopkins County School District's total payroll for the year was \$37,638,480. The payroll for employees covered under TRS was \$28,138,744. For the year ended June 30, 2020, the Commonwealth contributed \$9,387,192 to TRS for the benefit of our participating employees. The District's contributions to TRS for the years ending June 30, 2020, 2019 and 2018 were \$1,087,616, \$1,087,418 and \$867,332, respectively, which represent 100% of the required contributions for those employees covered by federal programs.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Because the State, as a non-employer contributing entity, is required by Kentucky Revised Statutes to contribute 100% of the District's contractually required contributions, the District reports no pension liabilities, pension expenses, deferred outflows of resources, or deferred inflows of resources related to TRS.

The portion of the TRS net pension liability that was associated with the District recognized at June 30, 2020, was as follows:

District’s proportionate share of the net pension liability	\$ -
State’s proportionate share of the net pension liability associated with the District	<u>116,143,007</u>
Total	<u>\$ 116,143,007</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the measurement date, the State's proportion of the TRS net pension liability associated with the District was 0.8512% percent which was a decrease of 0.0780 from its proportion measured as of June 30, 2018 (0.9292%).

For the year ended June 30, 2020, the District recognized on-behalf pension expense and revenue of \$8,740,404 for contributions provided by the State.

Actuarial Assumptions- The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases, including inflation	3.50% to 7.30%
Long-term Investment rate of return, net of pension plan investment expense & inflation	7.50%
Municipal Bond Index Rate:	
Prior Measurement Date	3.89%
Measurement Date	3.50%
Year FNP is projected to be depleted	N/A
Single Equivalent Interest Rate, net of pension plan investment expense & inflation:	
Prior Measurement Date	7.50%
Measurement Date	7.50%
Post-Retirement Benefit Increases	1.50% annually

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

11. Pension Benefits – Teachers' Retirement System of the State of Kentucky, continued

Actuarial Assumptions, continued

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015, adopted by the TRS Board on September 19, 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	7.0%	3.2%
Real Estate	7.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	100.0%	

Discount Rate- The discount rate used to measure the total pension liability (TPL) as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. TRS assumed that Plan member contributions will be made at the current contribution rates and that employer contributions will be made at Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The change in the discount rate from 7.50% used in 2018 disclosure report is considered a change in actuarial assumptions or other under inputs under GASB 68.

Sensitivity of the District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate—The following presents the State's proportionate share of the net pension liability associated with the District using the discount rate of 4.49% as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.49%) or 1-percentage-point higher (5.49%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
State's proportionate share of net pension liability associated with the District	148,296,436	116,143,007	89,082,802

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

11. Pension Benefits – Teachers' Retirement System of the State of Kentucky, continued

Plan Fiduciary Net Position- Detailed information about the TRS fiduciary net position is available in the publically available financial report.

Payable to the Pension Plan- Because the State is required by statute to contribute 100% of the District's contractually required pension contributions, the District reports no payable for such pension contributions at June 30, 2020.

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky

Other Postemployment Benefits (OPEB)

Plan Description – Teaching-certified employees of the District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan (MIP)

Plan description – In addition to the pension benefits described in Note 11 Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The MIP is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided - To be eligible for medical benefits, the member must have retired either for service or disability. The MIP offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from State appropriation and three percent (3.00%) from the employer. The State contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010, who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2020, the District reported a liability for its proportionate share of the collective net OPEB MIP liability and the related deferred outflows or deferred inflows.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky, continued

Life Insurance Plan (LIP)

Plan description – TRS also administers a life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The LIP is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits Provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon death of the member to the member's estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the State. Employers do not contribute to the LIP.

At June 30, 2020, the District did not report a liability for a proportionate share of the collective net OPEB LIP liability, nor any related deferred outflows or deferred inflows, because the State of Kentucky provides the OPEB LIP support directly to TRS on behalf of the District, and the District does not contribute to the LIP.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At June 30, 2020, the District reported a liability of \$13,243,000 for its proportionate share of the collective net MIP OPEB liability that reflected a reduction for state MIP OPEB support provided to the District. The collective net MIP OPEB liability was measured as of June 30, 2019, and the total MIP OPEB liability used to calculate the collective net MIP OPEB liability was based on a projection of the District's long-term share of contributions to the MIP OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.452486 percent, a decrease of 0.00616 from its proportion measured as of June 30, 2018 of 0.45865.

The amount recognized by the District as its proportionate share of the OPEB liabilities, the related State support, and the total portion of the net OPEB liabilities associated with the District were as follows:

	<u>MIP</u>	<u>LIP</u>
District's proportionate share of the net OPEB liability	13,243,000	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>10,695,000</u>	<u>248,000</u>
Total	<u>\$ 23,938,000</u>	<u>\$ 248,000</u>

For the year ended June 30, 2020, the District recognized MIP OPEB expense of \$636,283 and on-behalf MIP revenue of \$636,283 for support provided by the State. For the year ended June 30, 2020, the District recognized on-behalf LIP OPEB expense of \$10,505 and revenue of \$10,505 for support provided by the State. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to the MIP OPEB from the following sources:

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky, continued

	MIP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 3,205,000
Assumption changes	56,000	-
Net difference between projected and actual investment earnings on OPEB plan investments	352,000	-
Changes in proportionation and differences between District contributions and proportionate share of contributions	-	942,000
District contributions subsequent to the measurement date	<u>1,087,616</u>	<u>-</u>
Total	<u>\$ 1,495,616</u>	<u>\$ 4,147,000</u>

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$1,087,762 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net MIP OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the District's MIP OPEB expense as follows:

<u>Year ended June 30:</u>	
2021	\$ (722,000)
2022	\$ (722,000)
2023	\$ (694,000)
2024	\$ (699,000)
2025	\$ (564,000)
Thereafter	<u>\$ (338,000)</u>
Total	<u><u>\$ (3,739,000)</u></u>

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky, continued

Actuarial assumptions – The total MIP and LIP OPEB liabilities in the June 30, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return, net of	
OPEB plan investment expense & inflation:	
MIP	8.00%
LIP	7.50%
Projected salary increases	3.50% to 7.30%, including inflation
Inflation Rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates,	
MIP only:	
Under 65	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate:	
MIP	8.00%
LIP	7.50%
Single Equivalent Interest Rate, net of	
OPEB plan investment expense & inflation:	
MIP	8.00%
LIP	7.50%

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018, valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky, continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation		30 Year Expected Geometric Real Rate of Return	
	MIP	LIP	MIP	LIP
Global Equity	58.0%	0.0%	5.1%	0.0%
U.S. Equity	0.0%	40.0%	0.0%	4.3%
International Equity	0.0%	23.0%	0.0%	5.2%
Fixed Income	9.0%	18.0%	1.2%	1.2%
Real Estate	6.5%	6.0%	3.8%	3.8%
Private Equity	8.5%	5.0%	6.3%	6.3%
Other Additional Categories	17.0%	6.0%	3.2%	3.2%
Cash (LIBOR)	1.0%	2.0%	0.9%	0.9%
Total	100.0%	100.0%		

Discount rate- The discount rates used to measure the total MIP and LIP OPEB liabilities were 8.00% and 7.50%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the MIP employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liabilities.

Sensitivity of the District's proportionate share of the collective net MIP OPEB liability to changes in the discount rate- The following table presents the District's proportionate share of the collective net MIP OPEB liability, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net MIP OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net MIP OPEB liability	15,688,000	13,243,000	11,195,000

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky, continued

Sensitivity of the District's proportionate share of the collective net MIP OPEB liability to changes in the healthcare cost trends rates - The following presents the District's proportionate share of the collective net MIP OPEB liability, as well as what the District's proportionate share of the collective net MIP OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net MIP OPEB liability	10,781,000	13,243,000	16,271,000

OPEB plans' fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial reports.

Payable to the OPEB Plans – The District reported payables of \$0 for the outstanding amount of MIP and LIP OPEB contributions due to the Plans at June 30, 2020.

13. Pension and Other Postemployment Benefits- County Employees Retirement System

Plan Description - Substantially, all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension / OPEB plan administered by Kentucky Retirement Systems (KRS). CERS covers members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). KRS issues a publically available financial report that can be obtained at www.kyret.ky.gov or by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-696-8000.

Benefits Provided - CERS provides for retirement, disability, and death benefits to system members through its Pension Fund, as well as other postemployment benefits (OPEB) for hospital and medical insurance through its Insurance Fund.

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member's final compensation; benefit factors set by statute which vary depending upon the type / amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008 are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 4 years of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member's age and years of service equal 87, or at age 65 with at least 5 years of service credit.

Other postemployment benefits provided by CERS consist of prescribed contributions for whole or partial payments of required premiums to purchase hospital and medical insurance.

Contributions – State statute requires active members to contribute 5% of creditable compensation. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the KRS Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752.

The District's actuarially determined contribution amounts, based on annual creditable compensation for the years ended June 30, 2020, 2019 and 2018 were \$1,799,897, \$1,813,598, and \$1,821,714, respectively, equal to the required contributions for each year.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Contributions, continued

The District's actuarially determined contribution rates and contribution amounts, based on annual creditable compensation for the years ended June 30, 2020, were as follows:

	<u>Contribution Rates</u>	<u>Contributions</u>
Pension	19.30%	\$ 1,443,877
OPEB	4.76%	356,020
Total	<u>24.06%</u>	<u>\$ 1,799,897</u>

Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions and OPEB – The net pension and OPEB liabilities reported as June 30, 2020, were measured as of June 30, 2018, and the total pension and OPEB liabilities used to calculate the net pension liability and net OPEB liability were determined by an actuarial valuation as of June 30, 2016. The District's proportion of the liabilities was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2019, measurement date, the District's pension and OPEB proportion was 0.354042%, a decrease of 0.038007 from its proportion measured as of June 30, 2018, of 0.392049%.

The District's pension and OPEB liabilities and expense as of and for the year ended June 30, 2020, were as follows:

	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>
Proportionate Share	\$ 24,899,932	\$ 5,953,280
Pension/OPEB Expense	<u>\$ 3,718,536</u>	<u>\$ 536,092</u>

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions and OPEB, continued

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 635,770	\$ 105,209		\$ 1,796,242
Assumption changes	2,520,156	-	1,761,631	11,780
Investment experience	477,981	879,378	39,213	303,632
Changes in proportionation and differences between District contributions and proportionate share of contributions	-	1,209,943	-	567,940
Implicit Subsidy			127,827	
District contributions subsequent to the measurement date	1,799,897	-	443,913	-
Total	\$ 5,433,804	\$ 2,194,530	\$ 2,372,584	\$ 2,679,594

The \$1,799,897 and \$443,913 of deferred outflows of resources resulting from the District's pension and OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension and OPEB expense as follows:

Year ending June 30,	Pension	OPEB
2021	\$ 1,137,624	\$ (161,156)
2022	168,390	(77,086)
2023	104,885	(237,866)
2024	28,478	(201,638)
Thereafter	-	(39,848)
	\$ 1,439,377	\$ (717,594)

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Actuarial assumptions—The total pension / OPEB liabilities in the June 30, 2017 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases, average	3.30%
Investment rate of return, net of investment expense & inflation	6.25%
Healthcare cost trend rates (OPEB)	Initial trend starting at 7.25% for Pre-65, or 5.10% for Post-65, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 5 years for Pre-65, or 2 years for Post-65

Mortality rates were based on the following assumptions and assume a margin for future mortality improvement:

Pre-retirement mortality: RP-2000 Combined Mortality Table projected with Scale BB to 2013. Male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%.

Post-retirement mortality (non-disabled): RP-2000 Combined Mortality Table projected with Scale BB to 2013. Female mortality rates are set back one year.

Post-retirement mortality (disabled): RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013. Male mortality rates are set back four years.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the five year period ended June 30, 2013.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	53.50%	
US Equity	15.75%	4.30%
Non-US Equity	15.75%	4.80%
Private Equity	7.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	23.50%	
Core Bonds	20.50%	1.35%
Cash	3.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic/Absolute Return	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	3.52%

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Actuarial assumptions, continued

Discount Rate - The discount rates used to measure the total pension / OPEB liabilities at the measurement dates and changes since the prior year were as follows:

	<u>Pension</u>	<u>OPEB</u>
Discount rate, June 30, 2018	6.25%	5.85%
Increase (decrease)		(.17) %
Discount rate, June 30, 2019	<u>6.25%</u>	<u>5.68%</u>

The discount rate of 6.25% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.68% used to measure the total OPEB liability was based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019.

The projection of cash flows used to determine the discount rates assumed that local employers would contribute the actuarially determined contribution rates of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability.

Sensitivity of the District's Proportionate Share of the Net Pension and OPEB Liabilities to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension / OPEB liabilities, as well as what the District's proportionate share of the net pension / OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>District's porportionate share</u>		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	5.25%	6.25%	7.25%
Net Pension Liability	31,142,752	24,899,932	19,696,601
	4.68%	5.68%	6.68%
Net OPEB Liability	7,974,846	5,953,280	4,287,561

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trends Rates - The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current healthcare cost trend rate</u>	<u>1% Increase</u>
	6.25% Pre-65 or 5.10% Post-65 decreasing to 3.05%	8.25% Pre-65 or 5.10% Post-65 decreasing to 4.05%	8.25% Pre-65 or 5.10% Post-65 decreasing to 5.05%
District's Proportionate Share of Net OPEB Liability	4,427,484	5,953,280	7,803,487

Plan Fiduciary Net Position - Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the Pension / OPEB Plans - The District reported the following payables for the outstanding amount of pension/OPEB contributions due to CERS for the year ended June 30, 2020:

<u>Pension</u>	<u>OPEB</u>
\$ -	\$ -

14. Contingencies

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue its programs.

As shown in Note 7, the Kentucky School Facilities Construction Commission (KSFCC) is assisting the District with the repayment of the Bond Series 1996(100%), 2005(100%), 2006(100%), 2008(59%), 2009Ref(100%), 2011A(36%), 2005(100%), 2014 (100%), 2016 Revenue Refunding (100%), 2017C Revenue Refunding(35%). In the unlikely event the KSFCC defaults on their portion of the bond series, the District is responsible to repay the amount in full. KSFCC's portion as of June 30, 2020, was \$7,811,829.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

15. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District bought a commercial insurance policy. The District pays an annual premium for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

16. Deficit Operating/Fund Balances

The following funds have operations that resulted in a current year deficit of revenues under expenditures and other financing uses resulting in a corresponding reduction of fund balance net position. These deficits were funded by available resources at the beginning of the year. The following net positions primarily have a deficit fund balance as of June 30, 2020 due to the adoption of GASB 68 and GASB 75.

	Operations	Net Position
Food Service Fund	\$ 105,435	\$ 1,810,748
Child Care Fund	\$ 14,157	\$ 116,914
Construction Fund	\$ 938,600	
Debt Service Fund	\$ 1,217,663	

17. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

18. Interfund Balances and Transfers

There were no interfund balances as of June 30, 2020.

The following transfers were made during the year ended June 30, 2020:

From Fund	To Fund	Purpose	Amount
Nonmajor Governmental Funds:			
Capital Projects (Building Fund)	Debt Service	Bond payments	\$ 1,109,115
Capital Projects (Capital Outlay)	Debt Service	Bond payments	497,308
Capital Projects (Capital Outlay)	Construction Fund	Construction	97,404
Total Nonmajor Governmental Funds			1,703,827
General Fund	Special Revenue	Matching (KETS)	124,890
Special Revenue	General Fund	Indirect Cost	5,344
General Fund	Construction Fund	Construction	189,509
Total Major Governmental Funds			319,743
Total Transfers			\$ 2,023,570

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

19. Commitments (Construction Projects)

The District had the following outstanding construction projects, as evidenced by contracts, purchase orders or BG-1 forms, as applicable, as of June 30, 2020.

Project	Total Commitment	Incurred To Date	Commitment Remaining
MNHHS Tennis Courts (BG 19-243)	\$ 285,786	\$ 252,112	\$ 33,674
Bus Driver Training Center-BSMS Field House (BG 19-300)	\$ 600,453	\$ 40,227	\$ 560,226
New Hanson Elementary School (BG 20-129)	\$ 16,845,000	\$ 529,249	\$ 16,315,751
Total	<u>\$ 17,731,239</u>	<u>\$ 821,588</u>	<u>\$ 16,909,651</u>

20. On-Behalf Payments

The Commonwealth of Kentucky made payments on-behalf of the District as follows for the year ended June 30, 2020. The amounts are included in the General Fund and Debt Service Fund, as "Intergovernmental-State" revenues and in the Food Service Fund and Child Care Fund as "State grants." These amounts are budgeted. In the General Fund, the retirement and technology payments are recorded as additional instruction expense and the health insurance, life insurance, administration fee and health reimbursement account payments are allocated to the various expense functions based on a ratio of employees. In the Debt Service Fund, the payments are recorded as principal and interest expenditures. In the Food Services Fund and Child Care Fund, all of the payments are recorded as additional employee benefits.

Kentucky Teachers Retirement System	\$ 9,387,192
Health insurance, life insurance, administrative fee, health reimbursement account, net of federal reimbursements	6,949,222
Technology	111,822
Debt Service	<u>773,400</u>
Total On-Behalf Payments	<u>\$ 17,221,636</u>
Reported in:	
General Fund	\$ 15,801,304
Debt Service Fund	773,400
Food Service Fund	616,863
Child Care Fund	<u>30,069</u>
	<u>\$ 17,221,636</u>

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

21. Subsequent Events

Management has evaluated subsequent events through November 11, 2020, the date on which the financial statements were available to be issued.

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources				
Taxes				
Property	\$ 14,280,983	\$ 14,280,983	\$15,813,862	\$ 1,532,879
Motor vehicle	1,744,452	1,744,452	1,918,852	174,400
Unmined mineral			155,463	155,463
Other	50,000	50,000	186,688	136,688
Tuition	5,801	5,801	11,388	5,787
Earnings on investments	100,000	100,000	375,463	275,463
Student activities				-
Other local revenues	7,000	7,000	95,480	88,480
Intergovernmental - Local	96,040	96,040	1,142,810	1,046,770
Intergovernmental - State	38,559,297	38,559,297	42,924,331	4,365,034
Intergovernmental - Direct Federal	100,000	100,000	89,807	(10,193)
Total revenues	54,943,373	54,943,373	62,714,144	7,770,771
Expenditures:				
Current:				
Instruction	32,456,064	32,632,816	34,984,152	(2,351,336)
Support Services:				
Student	2,090,930	2,091,289	2,245,193	(153,904)
Instruction staff	2,169,594	2,170,102	2,137,495	32,607
District administrative	4,571,796	4,357,777	1,251,970	3,105,807
School administrative	3,902,379	3,938,779	4,262,154	(323,375)
Business	2,741,985	2,741,985	2,818,725	(76,740)
Plant operation and maintenance	7,480,382	7,480,382	8,208,294	(727,912)
Student transportation	3,946,152	3,946,152	3,930,234	15,918
Other instructional				-
Community service activities				-
Debt Service	42,949	42,949	42,949	-
Total expenditures	59,402,231	59,402,231	59,881,166	(478,935)
Excess (deficit) of revenues over expenditures	(4,458,858)	(4,458,858)	2,832,978	7,291,836
Other Financing Sources (Uses):				
Proceeds from sale of fixed assets			51,773	51,773
Operating transfers in			5,344	5,344
Operating transfers out	(126,500)	(126,500)	(314,399)	(187,899)
Contingency	(4,000,000)	(4,000,000)		4,000,000
Total other financing sources (uses)	(4,126,500)	(4,126,500)	(257,282)	3,869,218
Net change in fund balance	(8,585,358)	(8,585,358)	2,575,696	11,161,054
Fund balance, July 1, 2019	8,585,358	8,585,358	8,585,358	0
Fund balance, June 30, 2020	\$ -	\$ -	\$ 11,161,054	\$ 11,161,054

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$14,413	\$14,413
Student activities				-
Other	10,000	28,148	97,895	69,747
Intergovernmental - State	2,016,718	2,148,721	2,170,557	21,836
Intergovernmental - Indirect federal	546,950	5,153,449	4,401,931	(751,518)
Intergovernmental - Direct federal			132,206	132,206
Total revenues	2,573,668	7,330,318	6,817,002	(513,316)
Expenditures:				
Current:				
Instruction	1,897,523	5,164,161	5,721,363	(557,202)
Support services:				-
Student	4,107	55,451	197,377	(140,926)
Instruction staff		727,600	54,398	673,202
District administrative				-
School administrative				-
Business				-
Plant operation and maintenance		406,415	125,200	281,215
Student transportation	121,149	102,816	158,539	(55,723)
Central office				-
Other instructional				-
Community services	677,389	677,389	679,671	(2,282)
Capital outlay:				-
Facilities acquisition and construction				-
Total expenditures	2,700,168	7,134,832	6,936,548	198,284
Excess (deficit) of revenues over expenditures	(126,500)	195,486	(119,546)	(315,032)
Other Financing Sources (Uses):				
Proceeds from sale of assets				-
Operating transfers in	126,500	126,500	124,890	(1,610)
Operating transfers out			(5,344)	(5,344)
Total other financing sources (uses)	126,500	126,500	119,546	(6,954)
Net change in fund balance	-	321,986	-	(321,986)
Fund balance, July 1, 2019	-	-	-	-
Fund balance, June 30, 2020	\$ -	\$ 321,986	\$ -	\$ (321,986)

HOPKINS COUNTY SCHOOL DISTRICT
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR BUDGETARY PROCESS
FOR THE YEAR ENDED JUNE 30, 2020

Budgetary Process

Budgetary Basis of Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the Kentucky Department of Education. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board of Education during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

Reconciliation between the Budgetary Basis of Accounting and GAAP

There were no material variances between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
District's proportion of the plan total net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>116,143,007</u>	<u>116,636,909</u>	<u>250,714,485</u>	<u>279,879,029</u>	<u>222,633,493</u>	<u>191,555,888</u>
Total	<u>\$ 116,143,007</u>	<u>\$ 116,636,909</u>	<u>\$ 250,714,485</u>	<u>\$ 279,879,029</u>	<u>\$ 222,633,493</u>	<u>\$ 191,555,888</u>
District's covered-employee payroll	\$ 26,138,744	\$ 28,105,731	\$ 28,911,067	\$ 29,846,092	\$ 30,110,471	\$ 29,977,541
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
District's contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions		-	-	-	-	-
Contribution deficiency (excess)		-	-	-	-	-
District's covered-employee payroll	\$ 28,138,744	\$ 28,105,731	\$ 28,911,067	\$ 29,846,092	\$ 30,110,471	\$ 29,977,541
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY
For the Year Ended June 30, 2020

Changes of Benefit Terms

2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2020	The municipal bond index rate decreased from 3.89% to 3.50%. The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%.
2019	The municipal bond index rate increased from 3.56% to 3.89%. The discount rate increased from 4.49% to 7.50%.
2018	The municipal bond index rate increased from 3.01% to 3.56%. The single equivalent interest rate, net of pension plan investment expense, including inflation increased from 4.20% to 4.49%. The inflation rate decreased from 3.50% to 3.00%.
2017	The municipal bond index rate decreased from 3.82% to 3.01%. The discount rate decreased from 4.88% to 4.20%.
2016	None

HOPKINS COUNTY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITIES
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>MEDICAL INSURANCE PLAN (MIP)</u>			
District's proportion of the plan total net MIP OPEB liability	0.458650%	0.458650%	0.489042%
District's proportionate share of the net MIP OPEB liability associated with the District	\$ 13,243,000	\$ 15,914,000	\$ 17,438,000
State's proportionate share of the net MIP OPEB liability associated with the District	<u>10,695,000</u>	<u>13,714,000</u>	<u>14,244,000</u>
Total	<u>\$ 23,938,000</u>	<u>\$ 29,628,000</u>	<u>\$ 31,682,000</u>
District's covered-employee payroll	\$ 28,138,744	\$ 28,105,731	\$ 28,911,067
District's proportionate share of the net MIP OPEB liability as a percentage of its covered-employee payroll	47.06%	56.62%	60.32%
Plan fiduciary net position as a percentage of the total MIP OPEB liability	32.60%	25.50%	21.18%
<u>LIFE INSURANCE PLAN (LIP)</u>			
District's proportion of the plan total net LIP OPEB liability	0.0000%	0.0000%	0.0000%
District's proportionate share of the net LIP OPEB liability associated with the District	\$ -	\$ -	\$ -
State's proportionate share of the net LIP OPEB liability associated with the District	<u>248,000</u>	<u>235,000</u>	<u>191,000</u>
Total	<u>\$ 248,000</u>	<u>\$ 235,000</u>	<u>\$ 191,000</u>
District's covered-employee payroll	\$ 28,138,744	\$ 28,105,731	\$ 28,911,067
District's proportionate share of the net LIP OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total LIP OPEB liability	73.40%	75.00%	79.99%

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBTUIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>MEDICAL INSURANCE PLAN (MIP)</u>			
District's contractually required contributions	\$ 1,087,816	\$ 816,999	\$ 867,332
District's contributions in relation to the contractually required contributions	<u>(1,087,816)</u>	<u>(816,999)</u>	<u>(867,332)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
 District's covered-employee payroll	 \$ 28,138,744	 \$ 28,105,731	 \$ 28,911,087
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%
 <u>LIFE INSURANCE PLAN (MIP)</u>			
District's contractually required contributions	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	-	-	-
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
 District's covered-employee payroll	 \$ 28,138,744	 \$ 28,105,731	 \$ 28,911,087
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
NET OPEB LIABILITY
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY
For the Year Ended June 30, 2020

MEDICAL INSURANCE PLAN (MIP)

Changes of Benefit Terms

2020 None

2019 None

2018 With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEPH "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes of Assumptions

2020 The municipal bond index rate decreased from 3.89% to 3.50%.

The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%.

2019 The municipal bond index rate increased from 3.56% to 3.89%.

2018 None

LIFE INSURANCE PLAN (LIP)

Changes of Benefit Terms

2020 None

2019 None

2018 None

Changes of Assumptions

2020 The municipal bond index rate decreased from 3.89% to 3.50%.

2019 The municipal bond index rate increased from 3.56% to 3.89%.

2018 None

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.354042%	0.377983%	0.392049%	0.39943%	0.38934%	0.396633%
District's proportionate share of the net pension liability	\$ 24,899,932	\$ 23,020,317	\$ 22,947,833	\$ 19,666,399	\$ 16,739,697	\$ 12,868,000
District's covered-employee payroll	\$ 9,224,358	\$ 8,101,354	\$ 9,455,670	\$ 9,752,373	\$ 8,617,062	\$ 8,740,258
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	269.94%	284.15%	242.69%	201.66%	194.26%	147.23%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,799,897	\$ 1,458,979	\$ 1,369,181	\$ 1,360,456	\$ 1,070,239	\$ 1,114,383
Contributions in relation to the contractually required contributions	<u>(1,799,897)</u>	<u>(1,458,979)</u>	<u>(1,369,181)</u>	<u>(1,360,456)</u>	<u>(1,070,239)</u>	<u>(1,114,383)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,224,358	\$ 8,101,354	\$ 9,455,670	\$ 9,752,373	\$ 8,617,062	\$ 8,740,258
Contributions as a percentage of covered-employee payroll	19.50%	16.22%	14.48%	13.95%	12.42%	12.75%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.354042%	0.377969%	0.392049%
District's proportionate share of the net OPEB liability	\$ 5,953,280	\$ 6,710,764	\$ 7,881,526
District's covered-employee payroll	\$ 9,224,358	\$ 8,101,354	\$ 9,455,670
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	64.54%	82.84%	83.35%
Plan fiduciary net position as a percentage of the total OPEB liability	80.44%	57.62%	53.30%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 443,913	\$ 473,134	\$ 444,417
Contributions in relation to the contractually required contributions	<u>(443,913)</u>	<u>(473,134)</u>	<u>(444,417)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,224,358	\$ 8,101,354	\$ 9,455,670
Contributions as a percentage of covered-employee payroll	5.26%	5.26%	4.70%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Year Ended June 30, 2020

Changes of Benefit Terms

2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

Pension and OPEB:

2020 The salary increases assumption was changed from 3.05% to 3.30%.

2019 The salary increases assumption was changed from 2.00% to 3.05%.

2018 The inflation rate decreased from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The investment rate of return, net of investment expense & inflation decreased from 7.50% to 6.25%.

The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) decreased from 4.00% to 2.00%.

OPEB:

2020 The single discount rate was changed from 5.85% to 5.68%.

2019 The single discount rate changed from 5.84% to 5.85%.

2018 The single discount rate changed from 6.89% to 5.84%.

2017 None

2016 Pension:

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**HOPKINS COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 1,370,835	\$ -	\$ -	\$ 507,748	\$ 1,878,583
Accounts receivable:					
Local					-
Debt Service					-
Accrued interest receivable			\$ 30,250		30,250
Prepaid expenses			486,712		486,712
Restricted investments					
Restricted cash					
Total assets	<u>\$ 1,370,835</u>	<u>\$ -</u>	<u>\$ 516,962</u>	<u>\$ 507,748</u>	<u>\$ 2,395,545</u>
Liabilities					
Accounts payable				\$ 32	\$ 32
Due to other funds					-
Non current Bond Obligation					
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
Fund Balances					
Nonspendable:					
Prepaid expenses			30,250		30,250
Restricted for:					
Capital projects					-
Debt service	\$ 1,370,835		486,712		1,857,547
Committed:					
District Activity Funds				507,716	507,716
Total fund balances	<u>1,370,835</u>	<u>-</u>	<u>516,962</u>	<u>507,716</u>	<u>2,395,513</u>
Total liabilities and fund balances	<u>\$ 1,370,835</u>	<u>\$ -</u>	<u>\$ 516,962</u>	<u>\$ 507,748</u>	<u>\$ 2,395,545</u>

**HOPKINS COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$1,444,386				\$1,444,386
Earnings on investments			\$21,587		21,587
Intergovernmental - State	1,035,564	\$ 594,712	773,400		2,403,676
Other Student Income District Activity Fund				\$201,093	201,093
Contributions/Donations				18,082	18,082
Total revenues	2,479,950	594,712	794,987	219,175	4,088,824
Expenditures:					
Capital outlay:					
Facilities acquisition and construction					
Debt Service:					
Principal			2,855,000		2,855,000
Interest			764,073		764,073
Other items					-
District Activity:					
Instruction				147,914	147,914
Support Services				7,518	7,518
Plant Operations & Maintenance				1,400	1,400
Student Transportation					0
Total expenditures	-	-	3,619,073	156,832	3,775,905
Excess (deficit) of revenues over expenditures	2,479,950	594,712	(2,824,086)	62,343	312,919
Other Financing Sources (Uses)					
Payments to escrow agent					-
Transfers in			1,606,423		1,606,423
Transfers out	(1,109,115)	(594,712)			(1,703,827)
Total other financing sources (uses)	(1,109,115)	(594,712)	1,606,423		(97,404)
Net change in fund balance	1,370,835	-	(1,217,663)	62,343	215,515
Fund balance, July 1, 2019	-	-	1,734,625	445,373	2,179,998
Fund balance, June 30, 2020	\$ 1,370,835	\$ -	\$516,962	\$507,716	\$2,395,513

HOPKINS COUNTY SCHOOL DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
ALL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>School</u>	<u>Cash Balances July 1, 2019</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>Cash Balances June 30, 2020</u>	<u>Accounts Receivable June 30, 2020</u>	<u>Accounts Payable June 30, 2020</u>	<u>Fund Balances June 30, 2020</u>
Hopkins County Central High	\$155,256	\$436,971	\$395,662	\$196,565		\$11,130	\$185,435
Madisonville North Hopkins High	224,483	493,783	470,319	247,947			247,947
	<u>379,739</u>	<u>930,754</u>	<u>865,981</u>	<u>444,512</u>	<u>-</u>	<u>11,130</u>	<u>433,382</u>
Hopkins County Career & Tech Center	6,100	25,044	21,316	9,828			9,828
Browning Springs Middle	23,595	149,879	131,916	41,558			41,558
Earlington Elementary	14,522	43,015	37,337	20,200			20,200
Grapevine Elementary	6,828	27,070	27,299	6,599			6,599
Hanson Elementary	14,791	25,471	26,645	13,617		940	12,677
James Madison Middle	43,084	106,528	90,485	59,127			59,127
Jesse Stuart Elementary	20,937	23,354	24,283	20,008			20,008
Pride Elementary	5,159	40,863	36,458	9,564			9,564
Southside Elementary	11,329	25,859	21,439	15,749			15,749
South Hopkins Middle	51,095	213,484	221,514	43,065			43,065
West Broadway Elementary	12,476	25,379	21,649	16,206			16,206
West Hopkins	25,855	44,787	42,510	28,132			28,132
	<u>\$615,510</u>	<u>\$1,681,487</u>	<u>\$1,568,832</u>	<u>\$728,165</u>	<u>-</u>	<u>\$12,070</u>	<u>\$716,095</u>

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
HOPKINS COUNTY CENTRAL HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balances July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balances June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Fund Balances June 30, 2020
Academic Team	\$629	\$2,749	\$2,178	\$75	\$1,275			\$1,275
APES	118				118			118
AP Test	8,325	11,590	11,058		8,859			8,859
Archery Club	1,379	24,654	18,844	357	7,546			7,546
Art	20			(20)	0			0
Art Club	10			10	20			20
Athletic Dept.	10,822	65,661	62,606	(4,391)	9,486		6,224	1,262
Band	910	8,594	5,994	625	2,135			2,135
Baseball	169	16,710	17,160	475	194			194
Beta Club	146	880			1,028			1,028
Book Club	0	30			30			30
Bookstore	1,361				1,361			1,361
Boys Basketball	681	1,945	2,980	505	171			171
Business Dept.	22				22			22
Change	-	3,650	3,650		-			-
Cheerleaders	5,002	17,029	25,357	3,445	119			119
Chorus	176	3,873	1,811		2,238			2,238
Chorus Trip	108	145	79		174			174
Concessions	13,954	25,703	22,855	(10,308)	6,694			6,694
Cross Country	716	2,761	2,125	967	2,319			2,319
CTC Supply Fee	0	1,697	1,697		-			-
Custodial Acct	116				116			116
Dance Squad	48	1,502	3,419	1,910	39			39
DAF	4,676	25	26,702	28,214	6,213			6,213
DECA	1,914	1,011	750	(20)	2,155			2,155
Drama	1				1			1
Driver education	6,247	2,040	511	(116)	7,660			7,660
Elementary Basketball	4,786	15,217	16,945	1,077	4,115			4,115
Embroidery	1,018	165	300	(10)	873			873
Employee of the Month	35		24		11			11
F.B.L.A.	335	2,089	2,072	30	382			382
F.C.A.	28	249	20		257			257
F.F.A.	20,930	50,729	48,537	(286)	24,836		2,750	22,086
F.C.C.L.A.	872	2,802	1,831	(48)	1,595			1,595
Football	429	3,936	5,087	1,670	948			948
(4)Four H Club	940			(20)	920			920
Sophomore Class	1,826	745		(1,123)	1,448			1,448
Girls Basketball	1,272	5,905	8,833	423	967			967
Girls Volleyball	444		273	307	478			478
Golf Girls	1,276	684	1,309	85	746			746
Golf Boys	1,928	3,830	4,654	50	954			954
Guidance Testing	1,151	509	304	(15)	1,341			1,341
Hall of Fame	940	855	1,227		568			568
Home Ec	80	1,300	750	10	620			620
HOSA	1	50	50		1			1
Instructional	3,377	6,255	10	(7,652)	1,970			1,970
Kenny Harris	0				-			-
Key Club	1,042	840	1,278	(50)	554			554
Legacy	477	3,512	3,938	1,350	1,501			1,501
MCLC	35				35			35
Media Center	265	88		(20)	334			334
Middle School Soccer	0	2,807		(2,500)	107			107
Miscellaneous	7,611	4,464	70		12,005			12,005
National Honor Society	1,824	32,402	13,087	(100)	21,039			21,039
Olympic Field Day	1,394	8,544	2,337		5,601			5,601
Outdoorsmen's Club	143				143			143
PBIS	1,787			(150)	1,637			1,637
Pep Club	783	4,140	3,164	(100)	1,659			1,659
Project Grad.	5,704	200	5,132		772			772
ROTC Cadets	9,100	7,869	6,445	(383)	10,161			10,161
Science & Math Club	1,321	1,560	1,320	(50)	1,511			1,511
Junior Class	449	954	147	1,377	2,833			2,833
Senior Trip	6,001	43,820	42,885		6,938			6,938
Freshman Class	802	1,925	1,140	(903)	684			684
Soccer Boys	1,405	250	862	301	1,094			1,094
Soccer Girls	1,988	7,175	4,810	(625)	3,528			3,528
Softball	245	1,300		665	2,210			2,210
Senior Class	48	320		449	815			815
Spanish Club	47	178	190	(5)	30			30
Storm Hoops Banner	90	280	310		80			80
Student Vending	1,691	698			2,389			2,389
Summer School	0				-			-
Swim	840	1,870	1,377	285	1,618			1,618
Teacher Vending	213	821	714		320		156	164
Technology Fee	-	17,123		(15,877)	1,246			1,246
Tennis	1,589		247	85	1,407			1,407
Textbook Rental	0				-			-
Track	935		187	220	968			968
TSA	291				291			291
Yearbook	3,533	6,223	4,303	(25)	5,428			5,428
Youth Service Center	6,448	4,639	4,239		6,848			6,848
TOTAL	\$ 155,256	\$ 436,871	\$ 395,862	\$ -	\$ 196,565	\$ -	\$ 11,130	\$ 185,435

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
MADISONVILLE NORTH HOPKINS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Cash Balances July 1, 2019	Receipts	Disburse- ments	Transfers	Cash Balances June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Fund Balances June 30, 2020
Academic Team	\$497		\$1		\$496			\$498
Administrative	2,608	10,150	8,771	(\$878)	2,109			2,109
Adv Leadership	131				131			131
Ag Shop	292				292			292
Annual	10,361	16,529	6,242		20,648			20,648
Archery	302	3,264	3,449		147			147
Art Club	240	130			370			370
Art Department	592	20			812			812
Athletic Dept.	8,645	116,879	102,215	(1,093)	24,016			24,016
Athletic Extras	11,837	1,581	5,033		8,385			8,385
Band	4,386	34,556	39,342	400	0			0
Baseball Program	287	1,913	2,526	327	1			1
Basketball Boys	97	2,366	1,048	54	1,469			1,469
Bass Fishing	3,667				3,667			3,667
Beta Club	5,511	11,449	10,202		6,758			6,758
Beta Delta	1				1			1
Boys Cross Country	8,921	13,442	11,911		10,452			10,452
Boys Golf	694		550		144			144
Boys Track	374				374			374
Brag Tags	289				289			289
Business Dept.	295				295			295
Change	-	5,000	5,000		0			0
Cheerleaders	74		987	1,000	87			87
Coke Machine	6,135				6,135			6,135
Community Donations	175				175			175
Culinary Club	2,286	1,848	2,151	106	1,889			1,889
DAF	65		72,815	72,750	0			0
Dance Team	600	2,910	2,200		1,310			1,310
Donan Scholarship	500				500			500
Drafting/North Eng	24				24			24
Drama	7,207	1,081	1,887	(800)	5,611			5,611
Dream Team	139				139			139
Drivers Training	2,450	2,020		(4,470)	0			0
Educators Rising	80				80			80
Elementary Basketball	4,232	6,066	5,675	(800)	4,023			4,023
Employee T-Shirts	58				58			58
English Dept.	85				85			85
Faculty Fund	170	1,660	1,768		62			62
Faculty Fund/Flowers	-				-			-
Fellowship of Christian Ath.	121				121			121
F.B.L.A.	999	3,392	3,680		731			731
F.F.A.	8,788	12,755	14,115	50	8,478			8,478
F.F.A. Greenhouse	10,337	5,297	1,354		14,280			14,280
F.H.A.	73	2,555	2,425	554	757			757
Food Products	744	633			1,377			1,377
Football Fund	68	1,035	570	(440)	94			94
FOR Club	10				10			10
Girls Basketball	32	250	237	1,130	1,175			1,175
Girls Softball	58	250	210		98			98
Girls Track	2				2			2
Glee Club	1,276	5,017	6,645	594	242			242
Golf Program	2,523	1,750	3,884		389			389
Guidance	17,790	24,409	404		41,795			41,795
Health Occup.	1	8,007	7,658		350			350
Houg/Sarles	2,000				2,000			2,000
Industrial Arts	96				96			96
Incentive Program	25				25			25
Key Club	4,283	5,010	2,745		6,548			6,548
KUNA	218	4,080	4,408	108	0			0
Latterman Association	2,524				2,524			2,524
Library	539	36			575			575
Locker Fund	435	4,235		(4,670)	0			0
Lost Book	-	30			30			30
Math Department	6	55			61			61
Modern Foreign Language	173				173			173
NJROTC	7,309	8,387	11,842	14	3,868			3,868
Olympic Field Day	11,988	8,563	5,900	(14,000)	631			631
Parking Tags	385	3,365		(3,750)	0			0
PBIS	1,524		834		690			690
PE	100				100			100
Project Graduation	67	5,275	183		5,159			5,159
2nd Region Volleyball	125				125			125
Seniors 2018	-				-			-
Seniors 2019	22,217			(22,217)	0			0
Seniors 2020	7,643	82,436	78,500	29,618	21,197			21,197
Seniors 2022	2,077	1,205			3,282			3,282
Seniors 2023	820	1,350	346		1,824			1,824
Senior Trips	1,923			(1,923)	0			0
Soccer Girls	590	3,925	3,232		1,283			1,283
Soccer Boys	540	4,600	2,772	(199)	2,169			2,169
Sports Marketing	20				20			20
Spanish Club	143	1,479	900		722			722
SSF	1,035				1,035			1,035
Student Emergency Fund	414				414			414
SR21	3,583	13,234	6,312	(5,477)	5,028			5,028
Student Textbook	6,827	38,953		(45,780)	0			0
Student Government	936	795	659		1,075			1,075
Summer School	688				688			688
Swimming Scholarship	1,608				1,608			1,608
Tennis	389				389			389
Textbooks DE store	323				323			323
Triple M	18				18			18
Volleyball	508	6,034	8,311	15	246			246
Winter Guard	5,701	19,140	14,891		9,850			9,850
Youth Service Center	6,633	1,742	4,454	(423)	3,498			3,498
TOTAL	\$ 224,483	\$ 493,783	\$ 470,319	\$ -	\$ 247,947	\$ -	\$ -	\$ 247,947

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	7760005-19 7760005-20	\$ 198,744 455,893 <u>654,637</u>
NATIONAL SCHOOL LUNCH PROGRAM			
CASH ASSISTANCE	10.555	7750002-19 7750002-20	523,816 1,295,001 <u>1,818,817</u>
NONCASH ASSISTANCE - COMMODITIES (Note C)		Fund 51	249,332 <u>2,068,149</u>
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	7690024-19 7690024-20 7740023-19 7740023-20	1,184 57,290 11,289 718,400 <u>789,163</u>
TOTAL CHILD NUTRITION CLUSTER			<u>3,511,849</u>
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10-560	7700001-19	<u>4,148</u>
CHILD AND ADULT CARE PROGRAM	10-558	7600016-19 7600016-20	129 41,784 <u>41,913</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>3,558,010</u>
<u>NATIONAL SCIENCE FOUNDATION</u>			
PASSED THROUGH KENTUCKY COMMUNITY TECHNICAL COLLEGE SYSTEM:			
EDUCATION AND HUMAN RESOURCES- NATIONAL SCIENCE FOUNDATION HIGH SCHOOL PIPELINE	47.076	PROJ 003C	<u>25,237</u>
TOTAL NATIONAL SCIENCE FOUNDATION			<u>25,237</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:			
TITLE I, GRANTS TO LOCAL EDUCATION AGENCIES	84.010	3100002-18 3100202-19	831,179 821,848 <u>1,653,027</u>
TOTAL TITLE I			
TITLE I SCHOOL IMPROVEMENT	84.377	3100302-16	<u>333,036</u>
TITLE I PART D PREVENTION & INTERVENTION FOR CHILDREN & YOUTH WHO ARE NEGLECTED, DELINQUENT OR AT RISK	84.013	PROJ 313E PROJ 313F	3,438 18,000 <u>21,438</u>
SPECIAL EDUCATION CLUSTER:			
GRANTS TO STATES (IDEA, PART B)	84.027	3810002-18 3810002-19	1,604,013 25,058 <u>1,629,071</u>
PRESCHOOL GRANTS (IDEA PRESCHOOL)	84.173	3800002-17 3800002-18	15,876 83,722 <u>99,598</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>1,728,669</u>
TITLE II PART A SUPPORTING EFFECTIVE INSTRUCTION	84.367	3230002-18 3230002-19	116,857 90,369 <u>207,226</u>

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF EDUCATION, CONTINUED</u>			
VOCATIONAL EDUCATION BASIC GRANTS TO STATES	84.048	3710002-19 3710006-17 3710006-18 3710006-19	78,901 3,862 211 <u>122</u> 83,196
TITLE VI RURAL AND LOW INCOME	84.358	3140002-18 3140002-19	114,561 <u>78,703</u> 191,264
TITLE III, LEP	84.365A	3300002-18 3300002-19	5,386 <u>2,977</u> 8,373
TITLE IV, PART A. STUDENT SUPPORT & ACADEMIC ENRICHMENT	84.424	3420002-18	<u>35,178</u>
CARES ACT ESSER	84.425D	4000002-20	<u>55,336</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>4,316,743</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
EVERY STUDENT SUCCEEDS ACT/PRESCHOOL DEVELOPMENT GRANTS BIRTH - 5	93.434	PROJ 644F	<u>59,950</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>59,950</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
MNHHS ROTC	CFDA not available	PROJ 504D 1010-18	71,322
HCCHS ROTC	CFDA not available	PROJ 604D 1010-18	<u>60,885</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>132,207</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 8,092,147</u>

Notes to Schedule of Expenditures of Federal Awards

Note A: Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Hopkins County School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hopkins County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hopkins County School District.

Note B: Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.

Note C: Indirect Cost Rate:

The Hopkins County School District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D: Commodities:

Noncash assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

Note E: Medicaid Reimbursements:

Although reported in the financial statements as direct federal revenue, Medicaid reimbursements (\$89,807) are not considered expenditures of federal awards for the purposes of this schedule.

Note F: Subrecipients:

There were no awards passed through to subrecipients.

**HOPKINS COUNTY SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2020**

<u>Board Members</u>	<u>Address</u>	<u>Term Expires</u>
Susanne Welford Chairman	Madisonville, Kentucky	December 31, 2020
John Osborne Vice-Chairman	Madisonville, Kentucky	December 31, 2020
Bobby Fox	Madisonville, Kentucky	December 31, 2023
J.W. Durst	Madisonville, Kentucky	December 31, 2020
Steve Faulk	Madisonville, Kentucky	December 31, 2023

Administrative Personnel

Deanna Ashby - Superintendent

Marty Cline – Assistant Superintendent

Amy Smith – Assistant Superintendent

April Devine – Director of Pupil Personnel

Drew Taylor – Director of Technology/Chief Information Officer

Eydie L. Tate, CPA – Director of Finance & Business

Andy Belcher – Director of Assessment

Robert Carter – Director of Engagement, Equity and School Support

Alaina Lancaster – Director of Secondary Education

Jennifer Luttrell – Director of P-5 and Early Education

Tonia Griffey – Director of Exceptional Child

Lisa Marsh – Director of Child Nutrition

Ann Elkins - Director of Human Resources

George Jones – Director of Facilities

Alford Nance Jones & Oakley, llp

Certified Public Accountants

J. Wesley Alford, Jr., CPA
Jacqueline L. Nance, CPA

Theresa A. Jones, CPA
Lori A. Oakley, CPA

108 S. Main St., Ste 101 • Madisonville, Kentucky 42431 • Tel: 270-825-4578 • Fax: 270-821-3521 • www.anjocpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the State Committee for School District Audits' Fiscal Year 2019-2020 Financial Audit Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hopkins County School District's basic financial statements, and have issued our report thereon dated November 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hopkins County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hopkins County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hopkins County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

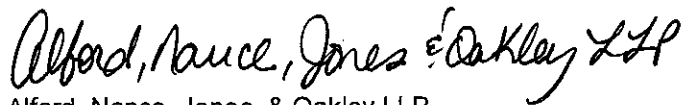
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hopkins County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the State Committee for School District Audits' Fiscal Year 2019-2020 Financial Audit Contract.

We noted certain matters other than significant deficiencies and material weaknesses that we have reported to management of the Hopkins County School District in a separate letter dated November 11, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Alford, Nance, Jones, & Oakley LLP

Madisonville, Kentucky

November 11, 2020

Alford Nance Jones & Oakley, llp

Certified Public Accountants

J. Wesley Alford, Jr., CPA
Jacqueline L. Nance, CPA

Theresa A. Jones, CPA
Lori A. Oakley, CPA

108 S. Main St., Ste 101 • Madisonville, Kentucky 42431 • Tel: 270-825-4578 • Fax: 270-821-3521 • www.anjocpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Hopkins County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hopkins County School District's major federal programs for the year ended June 30, 2020. Hopkins County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hopkins County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code Of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hopkins County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hopkins County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hopkins County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Hopkins County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hopkins County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of Hopkins County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alford, Nance, Jones & Oakley LLP

Alford, Nance, Jones, & Oakley LLP
Madisonville, Kentucky
November 11, 2020

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Hopkins County School District were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Hopkins County School District were disclosed during the audit.
4. There were no significant deficiencies in internal control disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the Hopkins County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

Title I, Cluster Grants to Local Education Agencies	84.010
Title VI Rural & Low Income	84.358
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Hopkins County School District was determined to be a low risk auditee.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2020

B. Financial Statement Findings

None reported

C. Federal Award Findings and Questioned Costs

None reported

D. Schedule of Prior Audit Findings

Financial Statement Findings

None reported in prior year

Federal Award Findings and Questioned Costs

None reported in prior year

HOPKINS COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Findings

None reported in prior year

Federal Award Findings and Questioned Costs

None reported in prior year

Alford Nance Jones & Oakley, llp

Certified Public Accountants

J. Wesley Alford, Jr., CPA
Jacqueline L. Nance, CPA

Theresa A. Jones, CPA
Lori A. Oakley, CPA

108 S. Main St., Ste 101 • Madisonville, Kentucky 42431 • Tel: 270-825-4578 • Fax: 270-821-3521 • www.anjocpa.com

Kentucky State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky 42431

In planning and performing our audit of the financial statements of the Hopkins County School District for the year ended June 30, 2020 we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 11, 2020, contains our report on significant deficiencies and material weaknesses, if any, in the District's internal controls structure. This letter does not affect our report dated November 11, 2020 on the financial statements of the Hopkins County School District.

We appreciate the opportunity to bring these comments to your attention. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Alford, Nance, Jones & Oakley LLP

Alford, Nance, Jones, & Oakley LLP
November 11, 2020

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT YEAR MANAGEMENT LETTER POINTS

Purchasing (Activity Funds)

Finding: We noted instances of purchase orders not being prepared properly.

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Improper use primarily involved the following: (1) some purchase orders were prepared and dated subsequent to the vendor's invoice and (2) purchase orders were not utilized in accordance with Redbook. Purchase orders are to be used as documentation that a purchase is authorized, not merely an additional form to be attached to an invoice indicating approval. Except for purchases made on the same day, purchase orders should pre-date the vendor's invoice. Not only does the proper use of purchase orders aid in the control of school expenses, it also protects purchasers from the possibility of being denied reimbursement of purchases for school purposes. Instances of noncompliance were noted at one school. (BSMS)

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Purchasing (Activity Funds).

Recommendation: We recommend that purchase orders be utilized and properly completed.

Views of Responsible Officials and Planned Corrective Action: On July 27, 2020, the district provided annual Redbook training virtually via Zoom with Ron Flannery to the school finance secretaries and principals. On October 21, 2020, the Finance Officer and staff held a zoom meeting with finance secretaries and discussed all audit findings related to school activity funds. Proper use of forms was discussed in detail and the Finance Officer emailed sample forms completed correctly to school finance staff for future reference including the purchase order. District finance staff is available throughout the year to assist with Redbook procedures. The Finance Officer has regular meetings with all district and school finance staff to review any Redbook questions or issues.

Required Forms/Procedures

Finding: We noted instances where it appeared that these forms were either not completed or completed improperly and/or where required procedures were not followed.

Criteria: The KDE "Redbook" requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Fundraising, (2) Inventory Control, (3) Donation Forms, (4) Ticket Requisition Forms and (5) Multiple Receipt Forms. It also requires additional procedures and controls.

Cause and Effect:

FORMS

Fundraising - Some either not used or used incorrectly fundraising worksheet and approval form. (HCCHS, WHS, HCCTC, EES, JSES)

Inventory Control - Some either not used or used incorrectly.
(BSMS, JMMS, HCCTC)

Donation Forms - Some either not used or used incorrectly. (MNHHS, HCCHS)

Ticket Forms - Some either not used or used incorrectly. (MNHHS, JSES)

Multiple Receipt Form - Some either not used or used incorrectly. (BSMS)

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT YEAR MANAGEMENT LETTER POINTS, continued

Required Forms/Procedures, continued

PROCEDURES

Inappropriate expenditures from Activity Funds (MNHHS, HCCHS, BSMS, WHS, EES, WBES)

Instances of checks noted containing only one signature. (JMMS)

Instances where the store account cards were kept out for extensive periods of time. (HCCHS)

Instances of money going into teacher generated accounts inappropriately. (HCCHS)

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Required Forms/Procedures.

Recommendation: We recommend that the principal and secretary at each school review the "Redbook" and comply with its requirements regarding the use of these forms and procedures.

Views of Responsible Officials and Planned Corrective Action: On July 27, 2020, the district provided annual Redbook training virtually via Zoom with Ron Flannery to the school finance secretaries and principals. On October 21, 2020, the Finance Officer and staff had a Zoom Finance meeting with all school finance secretaries. Audit findings were reviewed in detail, and proper use of forms were examined. The Finance Officer emailed sample forms completed correctly to school finance staff for future reference. District finance staff is available throughout the year to assist with Redbook procedures. The Finance Officer has regular meetings with all district and school finance staff to review any Redbook questions or issues.

Receipts

Finding: We noted instances where teachers/sponsors were not turning in receipts daily to the finance secretaries that were collected from the students. (MNHHS, BSMS, SHMS, JMMS, WBES)

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Lack of enforcement in requiring compliance.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Receipts.

Recommendation: We recommend strict adherence to the policies of the "Redbook". The principals must stress to the teachers/sponsors that the policies must be followed.

Views of Responsible Officials and Planned Corrective Action: On July 27, 2020, the district provided annual Redbook training virtually via Zoom with Ron Flannery to the school finance secretaries and principals. On October 21, 2020, the Finance Officer and staff had a Zoom Finance meeting with all school finance secretaries. Audit findings were reviewed in detail, and proper use of forms were examined. The Finance Officer emailed sample forms completed correctly to school finance staff for future reference. District finance staff is available throughout the year to assist with Redbook procedures. The Finance Officer has regular meetings with all district and school finance staff to review any Redbook questions or issues.

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT YEAR MANAGEMENT LETTER POINTS, continued

Booster Clubs/PTAs

Finding: We noted instances of noncompliance with Booster Clubs/PTAs reports. (JSES)

Criteria: The KDE "Redbook" requires Booster Clubs/PTAs to submit the names of club officers and a budget to the principal at the beginning of the school year. In addition, an annual financial report shall be submitted to the principal by June 30 reporting receipts from admissions, fundraisers, dues, concession sales, and other categories; expenditures by payee, and beginning and ending balances.

Cause and Effect: Lack of effort in requiring compliance.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Booster Clubs/PTAs.

Recommendation: We recommend the principals increase their efforts in obtaining the required information from Booster Clubs, PTOs and PTAs.

Views of Responsible Officials and Planned Corrective Action: On November 19, 2019, the Finance Officer held a meeting at Earlington Elementary School and each finance secretary was provided with a list of required items for Booster Clubs. On July 27, 2020, the district provided annual Redbook training virtually via Zoom with Ron Flannery to the school finance secretaries and principals and a portion of the training focused specifically on external support booster club Redbook requirements. The Finance Officer held a meeting with all finance staff on October 21, 2020 and explained the importance of obtaining the required Booster Club information.

PRIOR YEAR MANAGEMENT LETTER POINTS

Purchasing (Activity Funds)

Finding: We noted instances of purchase orders not being prepared properly.

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Improper use primarily involved the following: (1) some purchase orders were prepared and dated subsequent to the vendor's invoice and (2) purchase orders were not utilized in accordance with Redbook. Purchase orders are to be used as documentation that a purchase is authorized, not merely an additional form to be attached to an invoice indicating approval. Except for purchases made on the same day, purchase orders should pre-date the vendor's invoice. Not only does the proper use of purchase orders aid in the control of school expenses, it also protects purchasers from the possibility of being denied reimbursement of purchases for school purposes. Instances of noncompliance were noted at some of the schools. (MNHHS)

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Purchasing (Activity Funds).

Recommendation: We recommend that purchase orders be utilized and properly completed.

Views of Responsible Officials and Planned Corrective Action: On July 30, 2019, the district provided annual Redbook training with Ron Flannery to the school finance secretaries and principals. The audit staff met with the finance secretary at MNHHS and reviewed all findings, and on October 5, 2019 the Finance Officer had an audit review meeting and discussed all findings with the secretary and principal. The importance and proper use of purchase orders was discussed in detail each time. District finance staff is available throughout the year to assist

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED

FOR THE YEAR ENDED JUNE 30, 2020

PRIOR YEAR MANAGEMENT LETTER POINTS, continued

Purchasing (Activity Funds), continued

with any purchasing questions and the Finance Officer has quarterly meetings with all district and school finance staff to review any purchasing concerns during the year.

FYE 6/30/20: See current year comment "Purchasing (Activity Funds)".

Required Forms/Procedures

Finding: We noted instances where it appeared that these forms were either not completed or completed improperly and/or where required procedures were not followed.

Criteria: The KDE "Redbook" requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Fundraising, (2) Inventory Control, (3) Donation Forms, (4) Transfer Forms and (5) Ticket Forms. It also requires additional procedures and controls.

Cause and Effect:

FORMS

Fundraising - Some either not used or used incorrectly fundraising worksheet and approval form.
(MNHHS, BSMS, SHMS, WHS, EES, JSES, PES, SES)

Inventory Control - Some either not used or used incorrectly.
(MNHHS, HCCHS, BSMS, SHMS, JMMS, EES, JSES, PES)

Donation Forms - Some either not used or used incorrectly. (BSMS, SHMS, EES, HES)

Transfer Forms - Some either not used or used incorrectly. (MNHHS, HCCHS, BSMS)

Ticket Forms - Some either not used or used incorrectly. (MNHHS, EES, PES)

PROCEDURES

Inappropriate expenditures from Activity Funds (MNHHS, HCCHS, BSMS, SHMS, WHS, EES, JSES, SES, WBES)

Instances of principals stamp being used on checks (HCCHS)

Instances of checks noted containing only one signature. (MNHHS, BSMS, EES)

Instances where the person returning store account cards was also the witness. (PES, WBES)

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Required Forms/Procedures.

Recommendation: We recommend that the principal and secretary at each school review the "Redbook" and comply with its requirements regarding the use of these forms and procedures.

Views of Responsible Officials and Planned Corrective Action: On July 30, 2019, the district provided annual Redbook training with Ron Flannery to the school finance secretaries and principals. During October and early November the Finance Officer had an audit review meeting with each school and discussed their individual findings with the school finance secretary and principal. Proper use of forms was discussed in detail and the Finance Officer will give sample forms completed correctly to school finance staff for future reference. District finance staff is available throughout the year to assist with Redbook procedures. The Finance Officer has quarterly meetings with all district and school finance staff to review any Redbook questions or issues.

FYE 6/30/20: See current year comment "Required Forms/Procedures"

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

PRIOR YEAR MANAGEMENT LETTER POINTS, continued

Receipts

Finding: We noted instances where teachers/sponsors were not turning in receipts daily to the finance secretaries that were collected from the students or multiple receipt forms being filled out incorrectly. (BSMS, JMMS, HES, WBES)

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Lack of enforcement in requiring compliance.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Receipts.

Recommendation: We recommend strict adherence to the policies of the "Redbook". The principals must stress to the teachers/sponsors that the policies must be followed.

Views of Responsible Officials and Planned Corrective Action: On July 30, 2019, the district provided annual Redbook training with Ron Flannery to the school finance secretaries and principals. Turning in money daily and the use of proper completion of multiple receipt forms were reviewed. During October and November the Finance Officer had an audit review meeting with each school and discussed their individual findings with the school finance secretary and principal. The Finance Officer reviewed the correct way to complete this form and the importance of turning in money daily and the associated fraud risk.

FYE 6/30/20: See current year comment "Receipts"

Booster Clubs/PTAs

Finding: We noted instances of noncompliance with Booster Clubs/PTAs reports. (MNNHS, JMMS)

Criteria: The KDE "Redbook" requires Booster Clubs/PTAs to submit the names of club officers and a budget to the principal at the beginning of the school year. In addition, an annual financial report shall be submitted to the principal by June 30 reporting receipts from admissions, fundraisers, dues, concession sales, and other categories; expenditures by payee, and beginning and ending balances.

Cause and Effect: Lack of effort in requiring compliance.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Booster Clubs/PTAs.

Recommendation: We recommend the principals increase their efforts in obtaining the required information from Booster Clubs, PTOs and PTAs.

Views of Responsible Officials and Planned Corrective Action: On March 19, 2019, the Finance Officer held a quarterly finance secretary meeting and each school was provided a list of Board approved external booster clubs. They were reminded of the Redbook requirements for these clubs. On July 30, 2019, the district provided annual Redbook training with Ron Flannery to the school finance secretaries and principals, and booster clubs were invited for a portion of the training focused specifically on external support booster club Redbook requirements. The Finance Officer will have a meeting with all finance staff on November 19, 2019 and the related Redbook requirements will be reviewed.

FYE 6/30/20: See current year comment "Booster Clubs/PTAs"

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

PRIOR YEAR MANAGEMENT LETTER POINTS, continued

Activity Fund Account Balance

Finding: We noted instances where activity fund balances were negative after figuring in Accounts Payable. (MNHHS)

Criteria: Redbook requires that each individual activity fund balances maintain a positive balance, specifically at the close of the fiscal year.

Cause and Effect: Lack of bookkeeping information, or lack of attention paid to fund balances.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Activity Fund Account Balance.

Recommendation: We recommend that the school treasurer pay special attention to fund balances after factoring in accounts payable to ensure the balances remain positive.

View of Responsible Officials and Planned Corrective Action: On October 22, 2019 the Finance Officer had an audit review meeting with the principal and finance secretary at MNHHS and reviewed the impact of accounts payable on year end fund balance. Examples were given to show how accounts payable could impact an account balance negatively. On July 30, 2019, the district provided annual Redbook training with Ron Flannery to the school finance secretaries and principals. The requirement that all school activity accounts must have a positive balance at the end of the year was reviewed.

FYE 6/3020: During the current year there were no instances of negative activity fund balances.